

113TH CONGRESS }
1st Session

COMMITTEE PRINT

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**CONCURRENT RESOLUTION
ON THE BUDGET
FY 2014**

COMMITTEE PRINT TO ACCOMPANY
S. CON. RES. 8
together with
ADDITIONAL VIEWS AND MINORITY VIEWS

**COMMITTEE ON THE BUDGET
UNITED STATES SENATE**

PATTY MURRAY, *Chairman*



MARCH 2013

Prepared for the use of the Committee on the Budget. This document has not been officially approved by the Committee and may not reflect the views of its members

CONCURRENT RESOLUTION ON THE BUDGET FISCAL YEAR 2014

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I. Budget Plan

A Letter From Senate Budget Committee Chairman Patty Murray

Four years after the greatest economic crisis since the Great Depression, there is a serious division between the two major political parties in America about what government should be doing to keep our economy and our national finances moving in the right direction.

One approach, urged by leaders in the Republican Party, would take us back to the failed economic and fiscal policies that led to the Great Recession. This is the path of tax cuts for the rich, deregulation of Wall Street, increased costs of health care, more instability and uncertainty for middle class families, and the breaking of promises we've made to our seniors and families.

It is an approach pushed by those who believe that government has no business supporting our national competitiveness and by those who think that the highest priority should be radically shrinking government, not improving it.

The other approach is the one urged by the vast majority of the American people who believe that we need to be moving forward, not backwards. This is the approach that says we should learn from history so we are not doomed to repeat it. It is an approach that prioritizes fairness, opportunity for the middle class, and a return to the responsible fiscal and economic policies that have worked for our country before. It is an approach that maintains that government can't solve every problem, but that it can and should work to create jobs, support the middle class, and offer a hand up to families that need some support while they work to get back on their feet.

The Senate Budget reflects the values, priorities, and goals of those who support this second approach. It reflects the pro-middle class agenda that the American people went to the polls in support of last election. And I believe it is a strong and responsible vision for building a foundation for growth and restoring the promise of American opportunity.

The highest priority of the Senate Budget is to create the conditions for job creation, economic growth, and prosperity built from the middle out, not the top down. This is what people across the country say they want first and foremost, and this budget delivers on it.

At a time when too many middle class families across the country are still struggling, and far too many workers continue fighting to get back on the job, the last thing our economy needs right now is for political dysfunction or extreme and irresponsible budget policies to threaten our fragile recovery.

This budget replaces sequestration responsibly and invests in job creation to help families and the economy right away. It tackles our growing national deficits in education, infrastructure, and innovation to make sure we are laying down a strong foundation for broad-based economic growth for years to come. And it absolutely rejects a return to the failed trickle-down economic policies that devastated the middle class and led us to the Great Recession.

The Senate Budget tackles our deficit and debt the way the American people have told us they want it done: with a balanced mix of responsible spending cuts and new revenue from the wealthiest Americans and biggest corporations.

To me, this is just common sense. We have a serious deficit and debt problem that we need to tackle and we certainly don't want to leave our children and grandchildren with an unmanageable pile of our bills. So I think that means we should be examining every part of the federal budget for smart and responsible savings: from health care spending, to defense spending, to the loopholes and deductions in the tax code that benefit the wealthiest Americans and biggest corporations, and more.

Democrats have been very clear about this; we think everything should be on the table, and we believe that everyone should be asked to contribute to the solution. Like the vast majority of the American people, we don't think deficit reduction should be done through spending cuts alone, and we don't think it should come only from new revenue. It should be a balanced and responsible mix of both.

Unfortunately, many Republicans in Congress don't share this view. They believe that we should make massive cuts to education, health care, and other investments that benefit the middle class, seniors, and the most vulnerable families. But they think the wealthiest Americans and biggest corporations shouldn't be asked to pay their fair share. In fact, recent Republican proposals have actually *cut* taxes for the rich and asked middle class families to pick up the tab, a policy position that is far outside the mainstream of how the American people believe we should approach this.

In 2010, the bipartisan Simpson-Bowles Commission laid out a goal of reducing the deficit by \$4 trillion over ten years and Democrats and Republicans embraced this as reasonable and responsible. Other bipartisan groups including the Senate's Gang of Six agreed.

Since that time, Congress has worked to reduce the deficit by \$2.4 trillion, with most of that coming from spending cuts. The Senate Budget builds on this savings with an additional \$1.85 trillion in deficit reduction, for a total of \$4.25 trillion in deficit reduction since the Simpson-Bowles Commission report.

The new deficit reduction in this budget comes from an equal mix of responsible spending cuts made across the federal budget and new revenue raised by closing loopholes and ending wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.

And because we believe that it makes sense to reduce the deficit the way we did it in the '90s, by growing the economy and creating millions of middle class jobs, this budget includes a \$100 billion jobs and investment package to get workers back on the job and begin fixing the worst of the crumbling infrastructure that is holding back economic growth.

In addition to investing in jobs and economic growth and tackling our deficit and debt responsibly, the Senate Budget keeps the promises we've made to seniors, families, veterans and communities.

And importantly, it rejects attempts by Republicans to dismantle or privatize Medicare for our seniors, and instead works to preserve, protect, and strengthen this critical program.

This budget makes the investments we need to keep our nation secure and keep the promises we've made to our veterans.

And it protects the strong safety net that has helped millions of families get back on their feet when they were struggling. When my dad developed Multiple Sclerosis and had to stop working, I know that my six siblings and I would never have made it if we didn't have a government that was there to help us put food on the table, help my mom get the training she needed to get back to work, and help us all go to college

with federal student loans and tuition support. We are a nation that comes together to help families like mine, and the Senate Budget would make sure that continues.

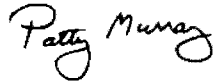
Middle class families across America are sick and tired of the gridlock that has paralyzed the budget process in Washington, D.C. They are looking to their elected officials to end the constant artificial crises and political brinksmanship that is threatening our fragile economic recovery, and to work together to responsibly tackle the serious economic and fiscal challenges we face as a nation.

I believe the Senate Budget offers a path forward to accomplish this. And I am proud of the work the Senate Budget Committee has done to put this budget together with a lot of input from our colleagues outside the Committee and members of the public across the country.

I am confident that our country can move beyond this division and work together to tackle our fiscal and economic problems fairly and responsibly. Our nation has faced far greater challenges in our history, and time and again the American people have come together with our unique brand of ingenuity, diversity, and compassion to do the right thing.

I am hopeful that the House of Representatives will join the Senate at the bargaining table and we can work together toward the responsible and bipartisan budget deal the American people expect and deserve.

Sincerely,

A handwritten signature in black ink that reads "Patty Murray". The signature is written in a cursive, flowing style.

Senator Patty Murray (D-WA)
Chairman of the Senate Budget Committee
March 13, 2013

Foundation for Growth: Restoring the Promise of American Opportunity

The Fiscal Year 2014 Senate Budget builds on the work done over the last two years to create jobs, invest in broad-based economic growth, and tackle our deficit and debt responsibly.

This budget takes the balanced and responsible approach to our fiscal challenges that every bipartisan group has endorsed and that the American people support. It includes responsible spending cuts made across the federal budget, as well as significant new savings achieved by eliminating loopholes and cutting wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.

The Senate Budget is grounded in the understanding that our country's long-term fiscal and economic goals will only be met with policies that support a strong and growing middle class. And it keeps the promises we have made to our seniors, our families, and our communities.

The American people are sick and tired of watching their government lurch from crisis to crisis. The Senate Budget offers a serious and credible path away from this gridlock and dysfunction and toward a long-term plan to create jobs, lay down a strong foundation for broad-based economic growth, replace sequestration, and tackle our deficit and debt responsibly and credibly.

This budget reflects the values of a diverse Senate serving a diverse nation, and it is guided by the principles and priorities that are strongly supported by the constituents we were elected to represent.

The highest priority of the Senate Budget is to create the conditions for job creation, economic growth, and prosperity built from the middle out, not the top down.

The Senate Budget takes the position that trickle-down economics has failed as an economic policy and that true national prosperity comes from the middle out, not the top down. We believe that deficit reduction at the expense of economic growth is doomed to failure, and policies that promote a strong middle class are essential to tackling our long-term deficit and debt challenges.

The policies President Barack Obama and Congress put in place in response to the Great Recession pulled our economy back from the brink and helped to add back jobs. But with an unemployment rate that remains stubbornly high, and a middle class that has seen their wages stagnate for far too long, we simply cannot afford any threats to our fragile recovery. Therefore, the Senate Budget:

- Fully replaces the harmful cuts from sequestration with smart, balanced, and responsible deficit reduction, which would save hundreds of thousands of jobs while protecting families, communities, and the fragile economic recovery.
- Invests in long-term economic growth and national competitiveness by tackling our serious deficits in infrastructure, education, job training, and innovation to create jobs now and lay down a strong foundation for broad-based growth.

- Includes a \$100 billion targeted jobs and infrastructure package that would start creating new jobs quickly, begin repairing the worst of our crumbling roads and bridges, and help train our workers to fill 21st century jobs. This jobs investment package is fully paid for by eliminating loopholes and cutting wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.
- Protects and continues tax cuts for the middle class and low-income working families.

The Senate Budget builds on the work we have done over the last two years to tackle our deficit and debt responsibly.

At the end of 2010, the bipartisan Simpson-Bowles Commission report laid out a responsible goal of reducing our deficit by \$4 trillion over ten years. Since that time, Congress and the administration have implemented \$2.4 trillion in deficit reduction, with \$1.8 trillion coming from spending cuts and \$600 billion coming from new revenue from the wealthiest Americans. The Senate Budget:

- Surpasses the bipartisan goal of \$4 trillion in 10-year deficit reduction and puts our deficit and debt on a downward, sustainable, and responsible path.
- Builds on the \$2.4 trillion in deficit reduction already done with an additional \$1.85 trillion in new deficit reduction for a total of \$4.25 trillion in deficit reduction since the Simpson-Bowles report.
- Includes an equal mix of responsible spending cuts and new revenue raised by closing loopholes and ending wasteful spending in the tax code.
- Achieves \$975 billion in deficit reduction through responsible spending cuts made across the federal budget:
 - \$493 billion saved on the domestic spending side, including \$275 billion in health care savings made in a way that does not harm seniors or families.
 - \$240 billion saved by carefully and responsibly cutting defense spending to align with the drawdown of troops in our overseas operations.
 - \$242 billion saved in reduced interest payments.
- Achieves \$975 billion in deficit reduction by closing loopholes and eliminating wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations.
- Includes reconciliation instructions, a fast-track process that makes sure that the new revenue from the wealthiest Americans and biggest corporations cannot be filibustered in the Senate.

The Senate Budget keeps the promises we have made to our seniors, families, veterans, and communities.

The Senate Budget takes the position that the promises we made to our seniors, families, veterans, and communities ought to be fulfilled. This budget:

- Preserves and protects Medicare so that it is strong for seniors today and will be there for our children and grandchildren.
- Rejects calls to dismantle, privatize, or voucherize Medicare.
- Builds on the responsible changes made in the Affordable Care Act to continue reducing health care costs while protecting patients.
- Protects the expansion of health insurance to nearly 30 million Americans and ensures the federal-state partnership on Medicaid is preserved.
- Rejects efforts to simply shift health care costs to states or make cuts that harm seniors and the most vulnerable families.
- Maintains the key principle that deficit reduction should not be done on the backs of the most vulnerable families and communities.
- Continues to make the investments we need in national defense, homeland security, and law enforcement to keep our country and our communities strong and secure.
- Keeps the promise we have made to our veterans that their country will be there for them and provide the resources and support they need when they come home.

The House Republican approach would hurt middle class families and the economy and break the promises we have made to our seniors.

The Senate Budget offers a very different vision than the approach taken by House Republicans.

Their proposals would cut the legs out from under our fragile economic recovery and threaten millions of jobs. They would slash the investments in infrastructure, education, and innovation that we need to lay down a strong foundation for broad-based growth and that would position us to compete and win in the 21st century global economy.

House Republicans would dismantle Medicare and cut off programs that support the middle class and most vulnerable families. And they would do all that while refusing to ask the wealthiest Americans and biggest corporations to contribute their fair share.

We believe that the American people strongly support the pro-growth, pro-middle class approach taken in the Senate Budget. And we look forward to engaging with families and seniors across the country as we work to pass the responsible, fair, and bipartisan budget deal the American people expect and deserve.

**A Look Back: The Path to Today's
Challenges**

While we have made significant progress over the last few years, our country continues to face serious but surmountable challenges as we work to grow the economy and tackle our deficit and debt responsibly. And as we confront the challenges ahead of us, it is important to keep in mind the path that brought us to this point.

The work done in the 1990s helped grow the economy, create jobs, balance the budget, and put our government on track to eliminate the national debt. That was all reversed between 2001 and 2008. From 2009 until today we have fought to pull our economy back from the precipice, move from monthly job losses to slow but steady job gains, and begin the hard work of reducing our deficit and debt responsibly.

- Following President Clinton's 1993 tax deal that brought in new revenue from the wealthiest Americans and the bipartisan responsible spending cuts, our country created 22 million new jobs and achieved a balanced budget. President Clinton's tax policies were not the only driver of economic growth, but our leaders' ability to agree on a fiscally sustainable and economically sound path provided valuable certainty for American families and businesses.
- Between 2001 and 2008 we faced a combination of tax cuts weighted toward the wealthiest Americans, costly and unpaid-for wars in Iraq and Afghanistan, and irresponsible deregulation of Wall Street. These decisions reversed the fiscal and economic progress made in the prior eight years, devastated workers and the economy, and turned a budget surplus into a growing deficit.
- President Obama entered office facing the greatest economic crisis since the Great Depression, as millions of Americans lost their jobs and experienced the pain of foreclosure. The President worked with Congress to turn the economy around, and while our economic recovery remains fragile and more work needs to get done, we are moving in the right direction.

Budget deficits in the early '90s: We tackled this challenge responsibly during the Clinton years while creating millions of new jobs

This country's recent history shows that our nation is strongest when our policies are designed to encourage prosperity built from the middle out, rather than the top down. And that while it is absolutely critical to address our deficit and debt challenges, attempting to do so at the expense of jobs and broad-based economic growth is not only unfair, it just will not work.

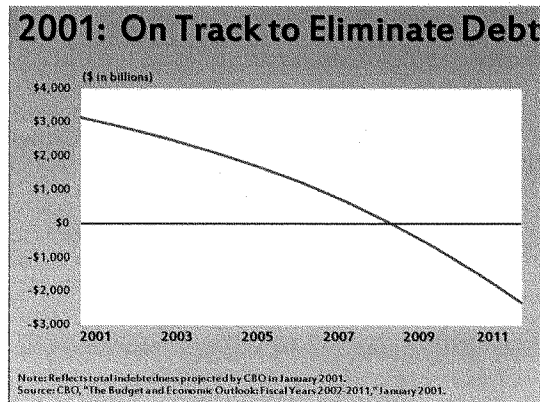
President Bill Clinton entered office in 1993 at a time when the country was facing serious deficit and debt problems. The year before, the federal government was taking in revenue equal 17.5 percent of GDP, but spending was 22.1 percent of the economy—a deficit of 4.7 percent.¹

His proposal to raise the top income tax rate to 39.6 percent passed the Senate and House without a single Republican vote. At the time, Republican leaders claimed the proposal would devastate the economy and cause massive jobs losses. Republican Senator Phil Gramm (R-TX) predicted that "...this program is going to make the economy weak. I believe hundreds of thousands of people are going to lose their jobs."²

As we know, the opposite happened. The unemployment rate went from 7 percent at the beginning of 1993 to 3.9 percent at the end of 2000.³ Between 1993 and 2001, our economy gained more than 22 million jobs⁴ and experienced the longest economic expansion in our history.⁵

As Americans gained jobs and our economy continued to grow, revenue increased from 17.5 percent to 20.6 percent of GDP. Despite fears from Republicans that more revenue would cause spending to go up, federal spending dropped from 22.1 percent of GDP to 18.2 percent of GDP.⁶ Our budget reached balance and our nation was on track to completely eliminate the federal debt over the next decade.⁷

While President Clinton's tax changes were not the only driver of our economic growth, the ability of elected officials to come together and agree on a fiscally sustainable path played a role in keeping



¹ Office of Management and Budget, Historical Tables, [Table 1.2](#), accessed 3/8/12.

² "The Budget Struggle: Clinton Wins Approval Of His Budget Plan As Gore Votes To Break Senate Deadlock," New York Times, [8/7/93](#).

³ U.S. Department of Labor, Bureau of Labor Statistics, "Civilian Unemployment Rate," accessed [3/8/13](#).

⁴ "All Employees: Total Nonfarm," U.S. Department of Labor, Bureau of Labor Statistics, accessed [3/8/13](#).

⁵ "US Business Cycle Expansions and Contractions," National Bureau of Economic Research, accessed [3/8/13](#).

⁶ Office of Management and Budget, Historical Tables, [Table 1.2](#), accessed 3/8/12.

⁷ Congressional Budget Office, "Budget and Economic Outlook: Fiscal Years 2002-2011," [January 2001](#).

interest rates low and giving markets and small businesses the confidence they needed to expand and create jobs.

Those gains were reversed over the following eight years

In 2001, Democrats saw the surplus as an opportunity to free ourselves from debt and invest in national priorities. Under the leadership of President George W. Bush, however, our country's fiscal course took a dramatic turn for the worse.

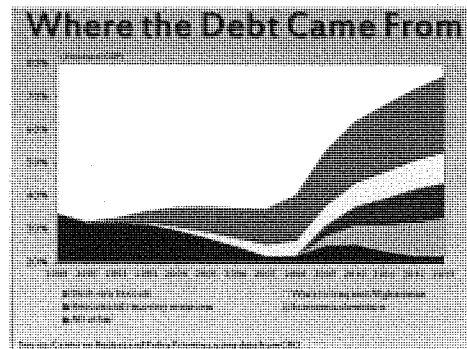
Costly tax cuts weighted toward the wealthy, wars in Iraq and Afghanistan that were not paid for, and other fiscally disastrous policy decisions eroded the surplus inherited from the previous administration.

This was not a surprise, of course. Former Senator Paul Sarbanes (D-MD) predicted these tax cuts would "put us on the glide path to dissipate this hard-earned fiscal restraint."⁸ And President Bush's own Treasury Secretary, Paul O'Neill, also tried to warn that cutting the tax rates on capital gains and dividends would blast a hole in the deficit. But Vice President Dick Cheney informed him that "deficits do not matter."⁹

By 2008, federal revenues had declined to 17.6 percent of GDP, while spending increased to 20.8 percent—a deficit of 3.2 percent.¹⁰ Our country was on a path toward record deficits as the legacy of the Bush administration's policies lived beyond the President's time in office. And despite the rosy fiscal projections at the turn of the century, the decade was marked by an almost doubling of the federal debt.¹¹

Deregulation and irresponsibility on Wall Street only made things worse. They precipitated a devastating financial crisis, leading to the deepest recession since the Great Depression, beginning in December 2007. The economic turmoil and instability that followed touched all corners of our country. Through no fault of their own, Americans saw their retirement accounts that had taken years to accumulate lose value almost overnight. Millions of workers lost their jobs, and countless families lost their homes or had to scramble to keep up with their mortgages.

This economic downturn, together with the fiscal policies of the Bush administration, generated a significant portion of today's debt.¹² They also help explain the decade of middle class stagnation, with the average American family earning less in President Bush's last year in office than they did during his first.¹³ And importantly, instead of laying



⁸ "Greenspan Sees Room for Tax Cut," ABC News, 1/25/01.

⁹ "Confessions of a White House Insider," TIME Magazine, 1/10/04.

¹⁰ Office of Management and Budget, Historical Tables, Table 1.2, accessed 3/8/12.

¹¹ Office of Management and Budget, Historical Tables, Table 7.1, accessed 3/8/12.

¹² Center on Budget and Policy Priorities, "Economic Downturn and Legacy of Bush Policies Continue to Drive Large Deficits," 2/28/13.

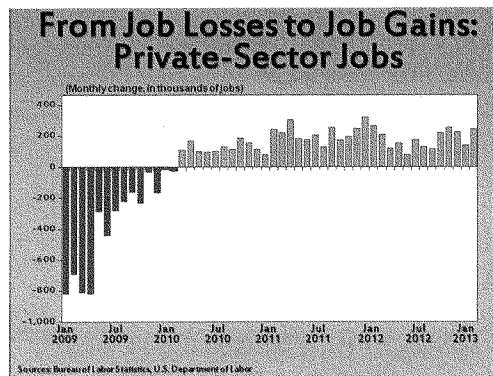
¹³ Census Bureau, Table H-6, accessed 2/28/13.

the foundation for long-term middle class growth, the Bush Administration left us with crumbling infrastructure and an economy that increasingly worked for only the wealthiest.

Four years fighting to turn the economy around

When President Obama took office in January 2009, our country faced challenges of historic proportions. More than 700,000 Americans were losing their jobs each month,¹⁴ and a record number of mortgages were in foreclosure or underwater.¹⁵ Banks were collapsing or teetering on the verge of collapse and threatening even further devastation. And manufacturers and other employers were unable to finance investments or operations and risked being forced to close their doors.

Working with Democrats in Congress, President Obama acted quickly to pass a package of tax cuts for millions of American families, relief for those hardest hit by the recession, and initiatives to support economic growth.¹⁶



This response, in combination with the actions taken by the Federal Reserve, produced a dramatic turnaround. Before the end of 2009, positive growth had returned.¹⁷ The unemployment rate began to decline shortly after,¹⁸ and in the years since we have continued to make progress on both measures. Yet, the economy is still struggling, millions of workers are looking for too few jobs, and aggregate demand is still far below its potential.

¹⁴ U.S. Department of Labor, Bureau of Labor Statistics, "All Employees: Total Nonfarm," accessed [3/8/13](#).

¹⁵ "Foreclosures Up A Record 81% in 2008," CNN Money, [1/15/09](#).

¹⁶ Recovery.gov, accessed [3/8/13](#).

¹⁷ National Bureau of Economic Research, "US Business Cycle Expansions and Contractions," accessed [3/8/13](#).

¹⁸ U.S. Department of Labor, Bureau of Labor Statistics, "Civilian Unemployment Rate," accessed [3/8/13](#).

We have made progress, but middle class families continue to struggle

The slow pace of the recovery means that too many American workers and families are struggling to keep up. Income inequality is growing, while economic mobility and opportunity are not. There are still many Americans who wonder whether we can leave a stronger country, with greater opportunity, for the next generation.

We have seen an increasing gap between the wealthy and everyone else, a trend that hinders economic growth, undermines confidence in our institutions, and goes against a fundamental promise of our country—that hard work, not where you begin in life, should determine your success and ability to leave a better future for your children and grandchildren. Building a strong middle class is the key to reducing our deficit and debt and ensuring that we compete and win in the 21st century economy.

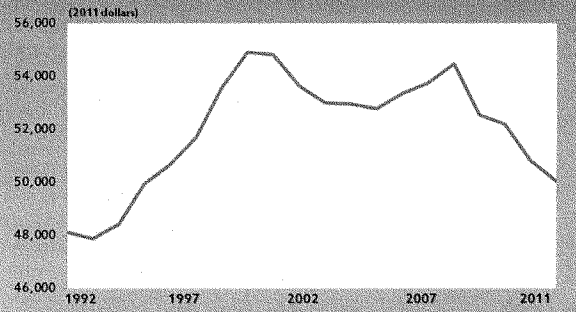
Maintaining our leadership in the world depends on our ability to reverse the trends of the last several decades and grow the economy from the middle out. The Senate Budget will move us away from the crisis-to-crisis style of governing we have seen far too much of in recent years and toward solutions that work for middle class families.

Typical middle class families have seen their incomes decline over the last decade. In 2011, median household income was just over \$50,000, nearly \$5,000 below the 2000 level, and lower than it had been at any time since 1995.¹⁹ This stagnation makes it harder to buy a house, finance a college education, and take the risks that have allowed this country to be home to some of the world's most innovative and productive enterprises.

And while women saw meaningful wage growth in the 1980s and 1990s, that growth leveled off in the last decade. Today, women continue to earn substantially less than men—a woman working full time year round in 2011 could expect to earn just three-quarters of her male counterparts.²⁰

At the same time, the rich have been getting much richer. The top one percent of households has seen their incomes more than double since the 1970s.²¹

Middle Class Incomes Declined Over the Last Decade

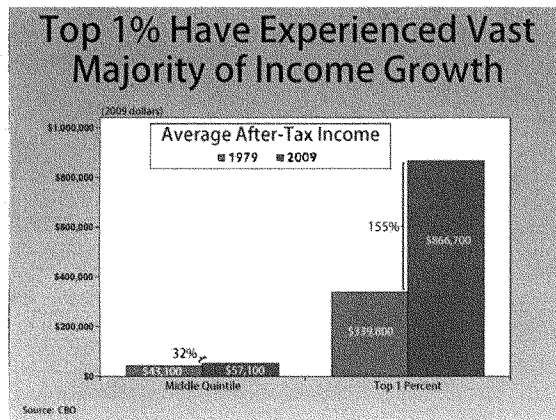


Source: U.S. Census Bureau
Note: Annual median household income.

¹⁹ Census Bureau, Table H-6, accessed [2/28/13](#).

²⁰ Census Bureau, Table P-40, accessed [2/28/13](#).

²¹ CBO, Supplemental Data Table 3, [7/10/12](#).



For those at the very top, the trend is even more pronounced. By 2007, the 400 highest-income taxpayers had seen their income rise five-fold since just the mid-1990s.²² And when you consider measures beyond income, the imbalance is even greater.

Today, the top one percent of households own more than 35 percent of all of the nation's wealth and 38 percent of all financial assets.²³ The wealthiest 400 individuals hold more wealth than the 150 million people that comprise the bottom 50 percent of wealth holders.²⁴

Our country can restore the promise that if someone works hard, they will have every opportunity they deserve to leave a better future for their children and grandchildren. Doing so requires investing in jobs, long-term economic growth, and national competitiveness. This approach will allow us to build prosperity from the middle out, tackle our deficits and debt responsibly, and keep the promises we have made to our seniors, families, and communities for generations to come.

²² IRS, "The 400 Individual Income Tax Returns Reporting the Largest Adjusted Gross Incomes Each Year, 1992-2009," [2012](#).

²³ "The Myth of Living Beyond Our Means," Robert Reich, Truthdig, [1/29/2013](#).

²⁴ "The Wrecking Ball," Sylvia Allegretto, the Berkley Blog, [7/16/12](#).

Investing in jobs, long-term economic growth, national competitiveness, and prosperity built from the middle out

The highest priority of the Senate Budget is to create the conditions for job creation, economic growth, and prosperity built from the middle out, not the top down. Our country has serious deficit and debt challenges, but we also face equally significant deficits in jobs, education, worker skills, infrastructure, and innovation.

The Senate Budget tackles these challenges by:

- Fully replacing sequestration in a balanced and responsible way to save jobs and support our fragile economic recovery.
- Including a targeted jobs and infrastructure package that will start creating new jobs quickly, make much-needed repairs to our roads and bridges, and help train our workers for jobs in high-demand industries.
- Investing in our people by making sure students and workers across the country can access high quality education and training, expanding their opportunities and strengthening our economy for the long term.
- Investing in rebuilding our crumbling infrastructure and making sure we are laying down a strong foundation for long-term economic growth.
- Investing in research and innovation so we can continue to compete in the global economy and grow our middle class.

These investments will create jobs and help the middle class right now, they will help lay down a strong foundation for long term and broad-based economic growth, and they will allow our country to compete and win in the 21st century global economy.

Our economic theory: Prosperity is created from the middle out

The Senate Budget takes the position that a resilient middle class and a robust economy reinforce one another. Our economic policy is therefore built on the values and principles that build a broad middle class, support strong and stable demand, and invest in and encourage the ingenuity and innovation that leads to job creation and true broad-based prosperity.

For the economy to grow, demand for the goods and services our businesses produce must be strong. A broad middle class that is doing well provides the market with the consumers necessary to purchase products. That creates stability, which in turn encourages firms and entrepreneurs to pursue productivity-enhancing investments that grow the economy and foster new enterprises, expanding employment opportunities even further.

Nick Hanauer, who runs a venture capital firm and was an initial investor in Amazon.com, Inc., put it this way: “[O]nly consumers can set in motion a virtuous cycle that allows companies to survive and thrive and business owners to hire. An ordinary middle class consumer is far more of a job creator than I ever have been or ever will be.”²⁵

As strong demand spurs economic growth and job creation, a well-trained and flexible workforce is necessary to maintain these gains. Cultivating a diverse set of skills further supports the stability of the American economy. By preparing our people to contribute in a broad range of established and growing industries, we will make sure our workers have the skills and training they need to compete and win in the 21st century global economy.

The middle out approach taken in the Senate Budget offers an alternative to the theory of trickle-down economics. Trickle-down economics asserts that growth and prosperity happen from the top down. According to this theory, the best way to create jobs and grow the economy is to cut taxes for the wealthiest Americans and expect their spending to benefit everyone else.

It is this theory that has led Republicans to advocate for tax cuts for the rich as an economic policy. But recent economic history has shown that this theory simply doesn't work. It's a failed ideology, not an economic policy.

Weighting tax cuts toward the wealthy rather than the middle class exacerbates inequality. And as inequality increases, the middle class can no longer participate in the economy as consumers and entrepreneurs. Businesses create fewer jobs as demand for their products declines. And as access to skill-enhancing training suffers, more and more workers find they are ill-prepared to fill the jobs that do remain.

Republicans want to take us back to failed policies, but the Senate Budget builds on what is working to move us forward toward prosperity built from the middle out.

In recent years Congress and the administration have taken significant action to confront some of our nation's biggest challenges. Wall Street Reform was passed to reign in the most egregious practices on Wall Street and protect our economy from the kind of financial crisis that caused the Great Recession.

²⁵“Raise Taxes on Rich to Reward True Job Creators,” Nick Hanauer, Bloomberg, [11/20/11](#).

And the Affordable Care Act was passed so that all Americans can access affordable, high-quality health care.

Democrats want to build on this progress and the Senate Budget would do exactly that. Republicans, however, would take us back to the failed policies of the past. House Republicans would roll back health care reform, protect the wealthiest from paying their fair share, and place the entire burden of deficit reduction on the backs of the middle class, seniors, and most vulnerable Americans. Under their plans, the investments that have the greatest benefit for future generations, like education, infrastructure, and research and innovation, would be slashed.

Rather than reverting to a failed trickle-down ideology, this budget takes the position that we should build on what is working to secure middle class growth and prosperity. By focusing on creating jobs now and making smart investments in long-term and broad-based economic growth, the Senate Budget presents a responsible plan to do exactly this.

Replacing sequestration in a balanced and responsible way

*"Intended as a mechanism to force action, the imposition of the sequester would undercut key responsibilities of the federal government."*²⁶

–House Budget Committee Chairman Paul Ryan

The damaging cuts from sequestration that were included in the bipartisan Budget Control Act were never intended to be implemented, but they now threaten hundreds of thousands of jobs, government services that families and communities depend on, national security, and our fragile economic recovery.

Since the highest priority of this budget is creating jobs and boosting the economy, replacing sequestration in a balanced way is a key component of its approach to tackling our fiscal and economic challenges responsibly.

The Senate Budget therefore includes \$1.85 trillion in total deficit reduction, \$960 billion of which consists of a full and balanced replacement of the cuts from sequestration.

This budget replaces sequestration using the following equal mix of responsible spending cuts and new revenue from the wealthiest Americans, which builds on the precedent set in the bipartisan year-end deal:

- \$480 billion in new revenue raised by closing loopholes and ending wasteful deductions that benefit the wealthiest Americans and biggest corporations;
- \$240 billion in responsible savings across domestic spending; and
- \$240 billion from reductions to defense spending that coincide with the drawdown of troops from Afghanistan and that can be implemented responsibly by the Pentagon.

The Senate Budget lays out a credible and responsible framework to replace sequestration in a balanced and bipartisan way.

Since a budget resolution is not permitted to change the Budget Control Act that created sequestration, this budget calls for additional legislation that would make the technical changes to the law using the framework laid out in this budget of an equal mix of responsible spending cuts and new revenue from the wealthiest Americans and biggest corporations.

Senate Republicans have consistently filibustered legislation that included any new revenue from the wealthiest Americans, so the Senate Budget includes reconciliation instructions to create a fast-track process to prevent a filibuster of the new revenue raised to replace sequestration and for additional deficit reduction, which would then be combined with additional responsible spending cuts.

Since Democrats have been clear that sequestration should be replaced with responsible spending cuts in addition to the new revenue from the wealthiest Americans, this budget calls for any additional legislation changing the BCA to replace sequestration with an equal mix of responsible spending cuts to match the new revenue raised through reconciliation or other means.

²⁶ House Budget Committee Chairman Paul Ryan, Website, accessed 1/25/13.

The goal of sequestration was to bring both sides to the table to reduce the deficit in a balanced and responsible way. But while Democrats have been very clear that we are willing to make the tough concessions a balanced and bipartisan deal requires, Republicans have been so focused on protecting the wealthiest Americans and biggest corporations from paying their fair share that they've refused to move out of their partisan corner and work with us to get a deal.

While we haven't been able to get a bipartisan deal yet, the Senate Budget offers a responsible and credible path forward.

Putting the economy first with a targeted infrastructure and jobs package

"Although the issue of fiscal sustainability must urgently be addressed, fiscal policymakers should not, as a consequence, disregard the fragility of the current economic recovery.

"Fortunately, the two goals of achieving fiscal sustainability—which is the result of responsible policies set in place for the longer term—and avoiding the creation of fiscal headwinds for the current recovery are not incompatible.

"Acting now to put in place a credible plan for reducing future deficits over the longer term, while being attentive to the implications of fiscal choices for the recovery in the near term, can help serve both objectives."²⁷

–Federal Reserve Chairman Ben Bernanke, August 2011

Since experts and economists across the political spectrum agree that it makes sense to boost the economy in the short term while tackling our deficit and debt responsibly over the medium and long term, the Senate Budget includes a \$100 billion targeted jobs and infrastructure package that would start creating new jobs quickly, begin repairing the worst of our crumbling roads, bridges, and schools, and help train our workers to fill open jobs.

- \$50 billion to put workers back on the job repairing our nation's highest priority deteriorating transportation infrastructure. Fixing these crumbling roads, bridges, and airports, as well as updating our mass transit, will not only create jobs in the short-term, it will also reduce the time families have to sit in traffic, help small businesses deliver goods to their customers quicker and cheaper, and lay down a strong foundation for long-term economic growth in communities across the country.
- \$10 billion to create jobs fixing our nation's major dams and dredging and maintaining economically critical ports. This will move workers into jobs where they will help local economies and small businesses by making sure key ports remain open and competitive, and it will protect families by making sure critical water supplies remain safe and uncontaminated.
- \$10 billion to create an infrastructure bank that will leverage investment from the private sector or other sources of funding to provide direct loans and loan guarantees for significant infrastructure projects like roads and bridges, rail and transit systems, port and water infrastructure, or other critical investments that would help the economy.
- \$20 billion to jump-start repairs and technology infrastructure investments in schools across America that are crumbling or lack critical educational tools like broadband access that are required in the 21st century economy. This will help engineers and construction workers get back on the job, and it is an investment in our students that will pay off down the line.

²⁷ Chairman Ben Bernanke speech at the Federal Reserve Bank of Kansas City Economic Symposium, Jackson Hole, Wyoming, August 26, 2011

- \$10 billion to invest in worker training programs for young people and adults to expand their skills and allow them to move into one of the approximately 3.6 million job openings that businesses across the country are struggling to fill.²⁸ This investment will go toward targeted programs that have documented outcomes and returns for employers and employees, and that are specifically designed to meet the needs of employers in fields that are in demand now, and that are expected to be in strong demand for years to come.

The Senate Budget includes these investments and urges the appropriate Congressional committees to move quickly to pass legislation that will meet these goals and start creating jobs today while investing in long-term economic growth.

²⁸ "Bureau of Labor Statistics, JOLTS Table 1, 02/12/13

Investing in our families, workers, and small business owners

Our families, workers and small business owners—current and future—are our nation’s greatest resource. We cannot expect to lead the way in the 21st century unless our workforce is skilled, our small business owners have the support they need to succeed, and our families are secure.

The Senate Budget therefore prioritizes education and training from early childhood through career, expanding opportunity for job-creating small businesses, and making it possible for families to achieve the dream of homeownership. The budget:

- Protects investments in education and job training, including expansion of innovative early learning programs, keeping student loans affordable, and implementing proven job training models tailored to match employer demand;
- Makes support for small business a priority by maintaining effective public-private partnerships that provide growth capital to start-ups, and continuing Small Business Administration (SBA) small business loan programs; and
- Helps put homeownership within the reach of responsible, hardworking middle class Americans by ensuring the market is affordable, accessible, and stable.

An approach that drastically cuts these investments, as past House Republican budgets have, would not only make it harder for many students and families to reach their goals, but it would also seriously undermine the fundamental strength behind our economic leadership: the skill, drive, and innovative spirit of the American people.

Investing in education and a skilled workforce

While this budget seeks to address the long-term deficit and debt challenges our country faces, it also provides the framework necessary to address other growing challenges, including our nation’s skills and education deficits. Failing to invest in schools, student aid, and worker training increases the skills gap, furthers income inequality, and fails to fully tap the potential of our greatest resource—the American people. This is a bad outcome for our students, workers, and businesses, and it is devastating for our economy over the long term.

Investments in education, from early childhood programs through college, are some of the smartest and most important the federal government can make. Economists have long studied the returns to education and have produced estimates indicating that “each additional year of schooling appears to raise earnings by about ten percent in the U.S.,”²⁹ with strong evidence of returns to education at all levels and an increased return for higher levels of education in recent decades.³⁰ According to a study done at the University of Chicago by Nobel Prize winner Dr. James Heckman, each dollar invested in high-quality early childhood education programs has a 14 percent rate of return through better educational outcomes.³¹

²⁹ Krueger, Alan and Lindahl, Mikael, “Education for Growth: Why and For Whom?” [December 2001](#).

³⁰ Autor, David, “The Polarization of Job Opportunities in the U.S. Labor Market, Implications for Employment and Earnings,” [April 2010](#).

³¹ Heckman, James, Moon, Seong Hyeok, Pinto, Rodrigo, Savelyev, Peter, and Yavitz, Adam, “The Rate of Return to the High/Scope Perry Preschool Program,” [November 2009](#).

Federal Reserve Chairman Ben Bernanke has acknowledged the importance of these programs, saying, “[o]ne critical means of fostering healthy economic growth is by ensuring an adequate investment in human capital—that is, in the knowledge and skills of our people. No economy can succeed without a high-quality workforce, particularly in an age of globalization and technical change.”³²

The Senate Budget takes the position that investments in education and training are critical to our nation’s long-term prosperity and competitiveness and ought to be protected.

We simply cannot expect our economy to grow in a way that creates broad-based prosperity if we continue allowing our skills and education deficits to increase. Our businesses are going to be creating 21st century jobs and we need our students and workers to be ready to meet their needs.

This is especially important when it comes to making sure low-income communities have the support they need to succeed. Although education is primarily a state and local responsibility, federal funding makes a critical contribution to schools and communities across the country. The Senate Budget invests in education, reflecting our commitment to reach at-risk and low-income students, close the achievement gap, and promote educational equity.

Early learning

To remain competitive in a global economy, our nation must provide our students with a world-class education that puts them on the path to college and career readiness. Research shows that a child’s early years are a critical development stage, and early childhood education offers benefits extending through the first years of school and beyond in terms of both cognitive and non-cognitive skills.³³ Children who attend high-quality pre-kindergarten programs are less likely to be held back in school, require remedial education, engage in criminal activity, or use social safety net programs later in life. They are also more likely to graduate from high school and have higher earnings as adults. In fact, the rate of return for each dollar invested in high-quality early learning programs is \$60-\$300 over the lifetime of the child.³⁴ Investments in early learning are some of the smartest the federal government can make.

The Senate Budget recognizes that high-quality investments in early childhood education programs result in better health, learning, and economic outcomes later in life. While the House Republican approach would require drastic cuts to investments in early childhood education, this budget reflects the importance of helping our children get a strong start to their academic and professional careers.

- The Senate Budget includes strong support for Head Start and Early Head Start. These core commitments currently serve almost one million low-income children nationwide, enhancing their cognitive, social, and emotional development.
- The Senate Budget also invests in the Child Care Development and Block Grant (CCDBG), which provides vital support for working families and assists in closing the achievement gap for low-

³² Speech by Federal Reserve Chairman Ben Bernanke at the 2011 Annual Awards Dinner of the Citizens Budget Commission, [3/2/2011](#).

³³ Heckman, James, “Skill Formation and the Economics of Investing in Disadvantaged Children,” [6/30/06](#) and Heckman, James, “The Case for Investing in Disadvantaged Young Children,” accessed [03/09/13](#).

³⁴ Heckman, James, “Letter to the Joint Select Committee on Deficit Reduction,” [9/21/11](#).

income children. Research has shown that parents receiving child care subsidies are more likely to be employed, work more hours, sustain employment, and earn higher wages than their peers.³⁵

- The Senate Budget also reflects important new investments to ensure that more children have access to voluntary public preschool programs through federal-state partnerships. This expansion of high-quality pre-kindergarten will help allow more children arrive at kindergarten ready to succeed.
- Since parents are their child's first and most influential teacher, the Senate Budget supports expansion of the existing Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program, which was enacted in the Affordable Care Act. This program improves maternal and child health and increases school readiness in vulnerable populations by delivering voluntary parent education and family support services directly to parents with young children. The home visiting program funds effective, research-based, and cost-efficient early learning opportunities, and should be extended and expanded.

These vital investments stand in sharp contrast to House Republican proposals, which, combined with sequestration, would cut almost 200,000 vulnerable children from Head Start in Fiscal Year 2014 alone³⁶ and would slash CCDBG discretionary funding by 19 percent. While this lack of investment would leave thousands of children behind the curve of kindergarten readiness, it would also have an immediate effect on employment, directly cutting thousands of Head Start positions and reducing support for working parents who would struggle to stay employed without child care.

Investments in early childhood education have been widely recognized as valuable by a wide range of stakeholders, including business leaders, law enforcement, and scholars. In a recent opinion piece, John E. Pepper, Jr., the former chairman and chief executive of the Procter & Gamble Company and a former chairman of The Walt Disney Company, and James M. Zimmerman, a former chairman and chief executive of Macy's, Inc. wrote: "We have spent most of our careers in business and have come to support quality pre-kindergarten for all children, especially those whose families cannot afford it, because we know these programs work. The only question is how to bring them to a huge scale. Our nation's future demands it."³⁷

Elementary and secondary education

The nation's economic future is dependent on a strong, educated workforce. Today, however, many schools are struggling to prepare our young people for success in school and work. More than 20 percent of students do not graduate on time, if at all. The achievement gap between white students and minority students continues to be a pervasive problem, and one that deserves federal attention and resources. For students of color, approximately one-third do not graduate on time, if at all.³⁸ And Hispanic and African American students continue to lag behind their white peers in mathematics and reading achievement.³⁹

³⁵ Schaefer, Stephanie, Kreader, J. Lee, and Lawrence, Sharmila, "Parent Employment and the Use of Child Care Subsidies," 2006.

³⁶ National Education Association, "House FY2013 Budget Resolution Impact on Head Start," 3/26/12.

³⁷ "Capitalists for Preschool," Pepper, John.E.Jr., Zimmerman, James, New York Times, 3/1/13.

³⁸ Department of Education, National Center for Education Statistics, "Public School Graduates and Dropouts: School Year 2009-2010," January 2013.

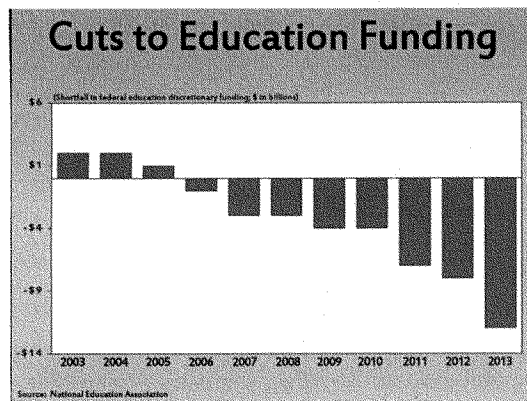
³⁹ National Center for Education Statistics, "How Hispanic and White Students in Public Schools Perform in Mathematics and Reading on the National Assessment of Educational Progress," June 2011 and National Center for Education Statistics, "How Black and White Students in Public Schools Perform in Mathematics and Reading on the National Assessment of Educational Progress," July 2009.

The failure to fully tap the potential of all young Americans has direct and damaging economic consequences. Students who do not complete high school earn about \$260,000 less over their lifetimes than their peers who graduate.⁴⁰ Those with a high school diploma or less are more likely to be unemployed⁴¹, and to be among the long-term unemployed.⁴² If the country's 23 million high school dropouts had instead gone on to graduate, the country would garner \$50 billion annually in increased federal and state income taxes.⁴³

As we are struggling to prepare our students, other countries are gaining a significant and lasting advantage. Today, international comparisons show that in literacy, and particularly in mathematics, and science, U.S. students lag behind many of their peers in our biggest global competitor countries.⁴⁴

The Senate Budget reflects the need to invest in our nation's young people. It strongly supports elementary and secondary education funding to states and districts, including programs like Title I, to improve the education of low-income children, and IDEA, which provides early intervention and special

education services to children with disabilities. Additionally, continued investments in literacy, STEM, and career and technical education programs will help ensure students are on a path to college and career readiness by high school graduation.



While the Senate Budget provides vital support for K-12 education programs, House Republicans would cut programs that support students, leaving our children unprepared to compete in the 21st century global economy. The Republican plan would cut IDEA by 19 percent, which would shift the cost of providing special education services for over 1 million

children to states and school districts, reneging on the federal government's already woefully neglected promise to cover 40 percent of the cost of IDEA.⁴⁵

Additionally, the House Republican plan would slash \$2.76 billion from Title I, reducing or eliminating much-needed supportive services for over 4 million low-income children in fiscal year 2014 alone.⁴⁶ These cuts would continue a disturbing trend where the shortfall in federal education funding has grown larger and larger each year.

⁴⁰ Teachers College Symposium on Educational Equity, "The Social Costs of Inadequate Education," 10/26/05.

⁴¹ Bureau of Labor Statistics, "The Employment Situation – February 2013," 03/08/13.

⁴² Joint Economic Committee, "Addressing Long-Term Unemployment After The Great Recession: The Crucial Role of Workforce Training," August 2011.

⁴³ Teachers College Symposium on Educational Equity, "The Social Costs of Inadequate Education," 10/26/05.

⁴⁴ National Center for Education Statistics, "Highlights from PISA 2009," December 2010.

⁴⁵ National Education Association, "House FY2013 Budget Resolution Impact on Special Education Grants to States," 3/26/12.

⁴⁶ National Education Association, "House FY2013 Budget Resolution Impact on Grants to Local Educational Agencies," 3/26/12.

Post-secondary education and training

To win the global race on talent, our nation must provide strong educational opportunities from preschool to career. This requires maintaining the superiority of our colleges and universities and helping students afford tuition. But we must also confront the growing need for post-baccalaureate degrees and credentials that can help fill gaps in specific skills today's employers demand. The Senate Budget moves us forward on each of these crucial priorities.

In the 2011 report "The College Payoff," experts verify that "a college degree is key to economic opportunity."⁴⁷ The earnings advantage to attending college has grown enormously in recent decades,⁴⁸ and a worker with a master's degree earns nearly twice as much as a person with a high school degree. Higher education provides an important pathway to the middle class; students from the bottom income quintile are more upwardly mobile than their parents when they have a degree.^{49 50}

As a country, we need to prepare our students to compete for high-skill, high-wage or high-demand jobs. Increasingly, these occupations require post-secondary credentials or degrees. For example, during the Great Recession, four out of five jobs lost were held by Americans with a high school education or less. By comparison, Americans with a bachelor's degree or higher steadily gained jobs during the recession and have seen an increase of more than 2 million jobs during the recovery.

Bringing down the costs of higher education

Despite the benefits of higher education for individuals and our economy as a whole, recent trends indicate that there are barriers to both access and completion. Nearly half of all college students do not complete their degree within six years,⁵¹ cumulative student loan debt is now \$1 trillion,⁵² and student loan default rates are rising.⁵³

In addition, college is increasingly unaffordable. Tuition and fees are growing at rates above inflation and college costs are being shifted to students and their families in two key ways. First, states have reduced their support for higher education. And with additional federal spending cuts from sequestration, state budget are going to face further fiscal challenges.⁵⁴

⁴⁷ Center on Education and the Workforce, "The College Payoff: Education, Occupations, Lifetime Earnings," [8/5/2011](#).

⁴⁸ Autor, David, "The Polarization of Job Opportunities in the U.S. Labor Market Implications for Employment and Earnings," [April 2010](#).

⁴⁹ Economic Mobility Project, "Getting Ahead or Losing Ground: Economic Mobility in America," [02/26/2013](#).

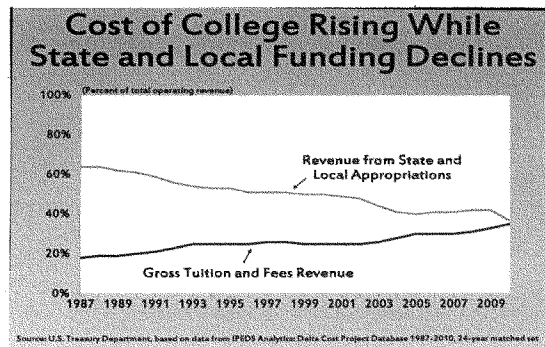
⁵⁰ Department of the Treasury, "The Economic Case for Higher Education," [2012](#).

⁵¹ HCM Strategies, "American Dream 2.0," [03/08/13](#).

⁵² New York Federal Reserve, "Quarterly Report on Household Debt and Credit," [February 2013](#).

⁵³ Department of Education, "First Official Three-Year Student Loan Default Rates Published," [09/28/12](#).

⁵⁴ Pew Center on the States, "The Impact of the Fiscal Cliff on the States," [03/08/13](#).



Even while a college education has become more necessary, college costs have accelerated dramatically. This is true even at public universities because state governments have had to cut back considerably on support. Students are increasingly bearing a greater share of college costs.⁵⁵

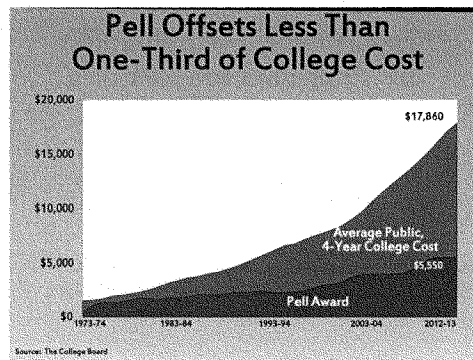
But given the current fiscal environment, taxpayers can no longer afford to keep subsidizing escalating tuition costs. We must ask states and colleges to be part of the solution. To that end, the Senate Budget assumes Congress

will enact proposals to reduce college costs while expanding college access and completion.

Securing Pell grants

The Pell grant program, established in 1972, has served more than 60 million students⁵⁶ and currently helps over nine million low-income students access higher education.⁵⁷ While the House Republican approach would severely reduce our ability to make college affordable for millions of students through Pell grants, the Senate Budget reflects the belief that expanding college access is a priority and maintains a strong commitment to this program.

Pell grants are critical to expanding access to higher education for low-income students. Unlike a loan, Pell grants do not have to be repaid. In the current academic year, the maximum Pell award is \$5,550. This covers about one-third of tuition and fees at a public four-year university.



The Pell grant program has been running shortfalls for many years. Eligibility changes and the economic recession expanded Pell enrollments,⁵⁸ which increased the costs of the program. Congress limited student aid eligibility and benefits⁵⁹ on an ad hoc basis in order to reduce Pell costs and address the

⁵⁵ US Department of Treasury, "The Economics of Higher Education," December 2012.

⁵⁶ Department of Education, "Statement by Arne Duncan," 06/22/12.

⁵⁷ Department of Education, "2010-2011 Federal Pell Grant End-of-Year Report", 03/08/13.

⁵⁸ Department of Education, "FY12 Budget Justifications, Student Financial Aid," 02/14/11.

⁵⁹ Committee for Education Funding, "The Budget Response for Fiscal Year 2013," 03/02/13.

shortfall. After many years of large shortfalls, enrollments estimates have been revised and the Pell grant program has a surplus of funds for the current fiscal year (academic year 2013-2014).⁶⁰

While Democrats are committed to expanding access to higher education for all Americans, Republican proposals would have eliminated the inflation adjustment to Pell grants, cutting a million students out of the program, reducing the maximum Pell award and increasing college costs for students and their families.⁶¹

Keeping student loans affordable

Created in the 1960s, the student loan program provides a vital support system that has helped millions of Americans access post-secondary education, paving the way for better job security, more earnings potential, and increased upward mobility.

In 2010, Congress eliminated the duplicative bank-based student loan program and used the savings to invest in our students and reduce the deficit. Today, taxpayers save billions of dollars by lending directly to students through the Department of Education. These federal student loans have beneficial protections: interest rates are fixed and often lower than private student loans, there are opportunities for repayment relief through deferment, forbearance, loan consolidation and income based repayment, and there are several loan forgiveness programs.

The federal government provides over \$110 billion annually for student loans. Congressional Budget Office (CBO) data shows that over a quarter of these loans are subsidized loans⁶² for low and middle income students.⁶³ When the average cost of one year of attendance at a four-year public college is over \$17,000,⁶⁴ and more than twice that amount at private non-profit and for-profit colleges,⁶⁵ these loans are critical to expanding college access.

The Senate Budget eliminates the student loan fee increases from sequestration, keeps student loans affordable by retaining subsidized loans and important repayment programs, and facilitates passage of legislation to ensure student loan interest rates remain affordable given the challenging economic climate.

Job training

The Senate Budget supports investments in proven strategies to build skills, facilitate matches between employers and employees, and eliminate frictions that keep willing workers from participating in the labor market. While there have been signs of growing economic activity during the recovery, there have also been signs that employers are having a hard time filling jobs. Indeed, numerous surveys and reports document significant skill gaps among job candidates that prevent employers from being able to fill their openings.⁶⁶

⁶⁰ Congressional Budget Office, "Pell Grant Programs—February 2013 Baseline," [02/06/13](#).

⁶¹ "Pell Grants For Poor Students Lose \$170 Billion In Ryan Budget," [Huffington Post, 03/27/12](#).

⁶² Congressional Budget Office, "Student Loan Programs—February 2013 Baseline," [2/06/13](#).

⁶³ Congressional Research Service, Table 3, "Interest Rates on Subsidized Student Loans for Undergraduate Students," [01/10/13](#).

⁶⁴ College Board, "Trends in Higher Education, Published Prices—National," Table 2, [03/08/13](#).

⁶⁵ National Center for Education Statistics, "Digest of Education Statistics, 2011," Chapter 3, [03/08/13](#).

⁶⁶ Society for Human Resource Management, "The Ill-Prepared U.S. Workforce," [3/08/13](#), and Manufacturing Institute, "Boiling Point? The Skills Gap in US Manufacturing," [2011](#).

While important efforts are underway to reform the education system to better meet the needs of employers in the future, we know that 60 percent of the workforce our country will have available in 2020 is already in the workforce today—beyond the reach of high school and dependent on job training and workforce development systems in the post-secondary world.

If our workers do not have the skills they need to fill the jobs of today and tomorrow, our economy and businesses pay the price. Among our nation's manufacturers, 67 percent report a moderate to serious skills gap in their skilled positions, with the gap reported as up to 83 percent in some sectors. 75 percent say that this skills gap has negatively impacted their business, and 56 percent expect it to only get worse.⁶⁷

U.S. investment in employment and training programs is far below that of other countries. We invest just 0.1 percent of our GDP on active labor market programs (training, counseling, job matching, etc.), while Korea invests 0.42 percent of its GDP, Germany invests 0.9 percent of its GDP, and Denmark invests 1.9 percent of GDP, just to name a few.⁶⁸ Funding for the three major grant programs under Title I of the Workforce Investment Act fell roughly 20 percent between 2000 and 2012.⁶⁹ This is true at a time when our country's workforce is more than 50 percent larger than it was in 1980,⁷⁰ and the economy as measured by GDP is more than twice as large.⁷¹

As technologies and markets evolve over time, workers need to be lifetime learners and adapt their skills appropriately. This budget invests in proven strategies that train workers to meet the needs of today's employers, and supports a system of lifelong skill development. On-the-job training and related approaches such as customized training involves employers directly in the design and delivery of training to ensure that employers are provided with the specific knowledge, skills and abilities required for fields that are in demand now, and that are expected to be in strong demand for years. In addition, the Senate Budget invests in sector, career pathway, registered apprenticeship, and reemployment models that have documented outcomes and returns for employers and employees, and that are specifically designed to meet the common needs of employers in in-demand sectors.

Two populations that have been especially hard hit by the economic downturn and slow recovery are the long-term unemployed and youth, each of which stand to remain disproportionately impacted if proactive steps are not taken to support them.

Long-term unemployment causes tremendous suffering for unemployed individuals, but it can also hurt economic growth in the long-run. Persistent long-term unemployment prompts some workers to leave the workforce and erodes the skills of many other workers. This makes it harder for them to find work in the coming years. On balance, this means fewer workers working, and those that are working will have weaker skills, limiting the economy's ability to produce.⁷² The CBO estimates that this persistent long-term unemployment will lower output by about one half percent of GDP by 2023.⁷³ The investments in workforce development and job training programs will target a portion to specifically meeting the needs of the long-term unemployed.

⁶⁷ Ibid.

⁶⁸ OECD, "Public Expenditure of LMP by Main Categories, Employment Outlook," 2012.

⁶⁹ Office Of Management and Budget Fiscal Year 2013, Table 3.2, accessed [03/11/13](#).

⁷⁰ Calculations based on Toossi, Mitra, "A century of change: the U.S. labor force, 1950-2050," Table 5, [May 2002](#).

⁷¹ U.S. Bureau of Economic Analysis, Table of U.S. Real GDP. NIPA 1.1.5, accessed [03/09/13](#).

⁷² Congressional Budget Office, "Budget and Economic Outlook: Fiscal Years 2013-2023," [February 2013](#).

⁷³ Ibid.

Young workers also face challenges that can have similarly damaging consequences for economic growth. Youth employment is at its lowest level since World War II; only about half of all young people in the U.S. (ages 16 to 24) held jobs in 2010.⁷⁴ The issue is not just about youth employment. A September 2012 report found that one out of every seven youth ages 16 to 24 are disconnected; that is, are neither in school or working. The total cost to the country is estimated to be approximately \$94 billion annually.⁷⁵ In addition, workers who enter the labor market during a downturn may face long-term consequences. For example, college graduates entering the workforce during a recession may have lower initial wages and it may take years to catch up to similar workers who graduated in good times.⁷⁶

High youth unemployment is particularly damaging because early work experience has proven to be vital to long-term career success and income levels, reduced likelihood of unemployment later in life, and reduced social costs borne by the government and taxpayers. The Senate Budget's investments in workforce development and job training will also target a portion to disconnected youth through on-the-job training, summer and year-round employment, and the use of career pathways to prepare them for existing jobs and for their long-term career success.

All of these efforts will focus on filling good jobs that will help grow the economy and expand the middle class. However, the nature of work has changed over the past several decades. As a country, we must focus on preparing our workforce for the jobs that are available today and will be open in the future.

One example is the field of nursing, which represents the largest segment of the health care workforce with more than 3 million members.⁷⁷ Over the next ten years, the need for new nurses will spike dramatically as our experienced nurses retire. A recent Health Affairs article indicates that the shortfall of registered nurses will grow to about 260,000 by 2025.⁷⁸ Additionally, the Association of American Medical Colleges estimates that by 2020, the U.S. will face a shortage of more than 90,000 physicians and by 2025 that shortage will grow to more than 130,000.⁷⁹

The Senate Budget continues to fund critical programs that will help to educate and train the next generation of health care providers as part of its targeted investments in skills development and job training. Further, the budget includes funding for the National Health Service Corps to increase the number of health professionals practicing in medically underserved areas, such as physicians, dentists, mental health providers, and nurse practitioners. These funds are especially critical this year in light of the growing and aging population and the upcoming insurance expansions. Investments in our health care workforce also boost our economy—not only creating jobs, but also helping to keep the American workforce healthy and productive.

Although workforce training has become more important than ever in today's economy, the House Republicans have proposed drastic cuts to investments in these programs. Last year, House Republicans proposed cutting the Employment and Training Administration's budget in half, effectively eliminating all

⁷⁴ Sum, Andrew, "The Deterioration in the Labor Market Fortunes of America's Young Adults During the Lost Decade of 2000-2010," 9/29/11.

⁷⁵ Burd-Sharps, Sarah and Lewis, Kristin, "One in Seven: Ranking Youth Disconnection in the 25 Largest Metro Areas," September 2012.

⁷⁶ Oreopoulos, Phillip, von Wachter, Till, and Heisz, Andrew, "The Short and Long-Term Career Effects of Graduating in a Recession: Hysteresis and Heterogeneity in the Market for College Graduates," 2012.

⁷⁷ Institute of Medicine, "The Future of Nursing: Leading Change, Advancing Health," 2010.

⁷⁸ Buerhaus, Peter, Auerbach, David, and Staiger, Douglas, "The Recent Surge in Nurse Employment: Causes and Implications," 06/12/09.

⁷⁹ American Association of Medical Colleges, "Physician Shortages to Worsen Without Increases in Residency Training."

funding for the adult, dislocated worker, and youth grant programs under the Workforce Investment Act, discontinuing the YouthBuild program, and cutting Job Corps by more than half. Based on service levels at that time, these drastic cuts would have eliminated critical workforce development and job training services to more than 8 million job seekers and workers each year, including 130,000 veterans.

Investing in small business owners

American small businesses have long been the backbone of our economy. From high growth and high-tech firms to Main Street storefronts, our nation's small businesses drive entrepreneurship and innovation.

Small businesses are job creators and play a vital role in our economic recovery. For two decades, small and new businesses have led job creation in the U.S. For every three net new jobs, two were created by small and new businesses. Half of the private sector workforce is employed by small businesses and 28 million small firms currently employ 60 million American workers.⁸⁰

Small businesses drive innovation in America. Small businesses employ nearly 40 percent of our nation's scientists and engineers and produce more than 14 times the number of patents than do large businesses and universities.⁸¹ Small businesses have time and time again demonstrated they are willing to take on the high-risk, high-reward research that drives innovation and, by extension, our nation's economy.⁸²

Over the past several years, the volatility in the marketplace caused by the financial crisis and Great Recession, coupled with lack of consumer demand and limited access to capital, contributed to what Dr. Martin N. Bailey, of the Brookings Institution, characterized as "a big toll on small business."⁸³ Under the best of circumstances, start-up small business firms have high failure rates, with half failing within the first five years.⁸⁴ Compounding this failure rate, following the Great Recession credit standards tightened, causing many small businesses to struggle for access to capital.⁸⁵ In fact, because many entrepreneurs historically looked to home equity as a source of capital, the collapse of the housing market contributed to a significant drop in the number of start-up firms.⁸⁶

While small businesses are beginning to launch and hire again, many continue to feel the effects of the recession. Now more than ever it is critical that Congress invest in programs and support policies that will help American small businesses rebuild. Yet last year, the House Republicans proposed cuts to small business assistance,⁸⁷ and in 2010, House Republicans voted against the Small Business Jobs Act, which increased contracting opportunities for small businesses and also increased the Small Business Administration's lending capacity to firms.⁸⁸

⁸⁰ National Economic Council, "Moving America's Small Businesses & Entrepreneurs Forward: Creating an Economy Built to Last," May 2012.

⁸¹ Wessner, Charles W., National Research Council, "Government Programs to Encourage Innovation by Startups & SMEs: The Role of Innovation Awards," 2009.

⁸² Ibid.

⁸³ Martin N. Bailey, Testimony before the U.S. House Committee on Small Business, 2/1/2012.

⁸⁴ Ibid.

⁸⁵ Ibid.

⁸⁶ Ibid.

⁸⁷ H.R. Rep. No. 112-421, at 71 (2012).

⁸⁸ 156 Cong. Rec. H4618 (daily ed. June 17, 2010).

Whereas Republicans would cut programs that support our nation's small businesses, Democrats view investments in small businesses as investments in America's future. Since President Obama took office, Democrats in Congress have worked with the administration to pass 18 direct tax breaks for small businesses.⁸⁹ These include 100 percent expensing of new investments, which allow businesses to immediately deduct the full cost of machinery, equipment, and other qualifying property, tax breaks for small businesses that hire unemployed veterans and those with service-connected disabilities, and a small business health care tax credit covering up to 35 percent of an eligible employer's contribution to employee health insurance premiums.⁹⁰ This tax credit, created under the Affordable Care Act, increases to 50 percent of an employer's contribution in 2014.⁹¹

Smart investment in our nation's small businesses also means helping businesses grow from small to large. Programs such as the Small Business Investment Companies initiative, and the Small Business Innovation Research and Small Business Technology Transfer programs, enable high growth firms to leverage capital investments, spurring job growth and innovation. In Fiscal Year 2011, 1,300 small businesses, in industries touching every aspect of American life, benefited from financing provided through the Small Business Investment Companies (SBIC) initiative.⁹²

The SBIC, a public-private partnership supported by the Small Business Administration, provides growth capital to promising small business throughout America. In Fiscal Year 2012, \$3.13 billion in financing was invested in small businesses through the SBIC initiative. Twenty-nine percent of the businesses financed that year were minority or women-owned small businesses, or were located in low to moderate income areas.⁹³ Many of America's most well-known companies, including Costco, Amgen, Apple, Intel, and Sun Microsystems, received crucial funding through the SBIC initiative as small businesses in the early years of their development.⁹⁴ Because the SBIC initiative is an innovative public-private partnership, the billions in financing provided to small businesses through the program come at no cost to the taxpayer.⁹⁵

Similarly, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, which are the largest federal research and development programs for small business, provide critical funding to high growth firms revolutionizing the marketplace through high-tech innovation. From the Sonicare power toothbrush, to the wireless communications company Qualcomm, high growth and high-tech small businesses benefit from federal research and development dollars, enabling them to disrupt the marketplace with bold ideas and groundbreaking new technologies.⁹⁶

At this critical juncture in our economic recovery, the Senate Budget builds on these smart investments in our nation's entrepreneurs, innovators and small businesses. This budget supports proven programs by restoring necessary funding to the SBA at pre-sequestration levels. The budget supports public-private partnerships, like the SBIC initiative and investment in high growth firms through the SBIR and STTR programs. It promotes expanded access to capital through the 7(a) loan program⁹⁷ and works to

⁸⁹ National Economic Council, "Moving America's Small Businesses & Entrepreneurs Forward: Creating an Economy Built to Last," May 2012.

⁹⁰ Ibid.

⁹¹ Ibid.

⁹² Small Business Administration, "Funding the SBIC Program: An Overview (2013)," accessed [3/8/13](#)

⁹³ Small Business Administration, "SBIC Program Overview (2013)," accessed [3/8/13](#).

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ See also: "Small Businesses make a big impact," U.S. Senator Mary Landrieu, Politico, [3/18/11](#).

⁹⁷ Small Business Administration, "7(a) Loan Program (2013)," accessed [3/8/13](#).

harnesses the full potential of our nation's entrepreneurs and innovators by supporting free counseling and technical assistance through the SBA.⁹⁸ Of critical importance, the Senate Budget also prioritizes leveling the playing field for minority- and women-owned small businesses, many of which operate in underserved communities and rely upon SBA loans to access capital. By restoring funding to the SBA at pre-sequestration levels, the Senate Budget helps to ensure that minority and women-owned small businesses can continue to access this much-needed source of capital.

Further, this budget supports the Obama Administration's work to expand federal contracting opportunities and award federal prime contracts to minority and women-owned small businesses, ensuring that these firms have a fair shot at doing business with the federal government.⁹⁹

Finally, through funding of watchdog agencies and support for implementation of Wall Street Reform, the Senate Budget also works to protect small businesses from unfair lending practices.

Investing in middle class families trying to buy a home

Americans have long considered homeownership part of the American Dream. Families want to put down roots in a neighborhood, find a place to raise their kids, and see the results of their hard work. Housing is also a central element of our economy, offering homeowners a chance to build wealth and generate investment in our communities. It creates jobs for realtors, builders, small businesses, and retailers.

During the housing boom, many Americans became homeowners—many through exotic mortgage products that required little documentation, and included attractive offers like interest-only payments and no down payment. But the promises made to homeowners and investors alike were too good to be true. When the risks associated with these mortgages began to materialize, it was too late. And when defaults and foreclosures skyrocketed, the impact was felt not only by defaulting homeowners, but also by entire communities that watched their home values plummet, investors who bet on these products and lost, and older Americans who saw their retirement savings dwindle.

In response to the housing crisis, the federal government stepped in to provide liquidity in the market and access to credit for qualified homeowners when private capital disappeared. As a result, families were still able to get a mortgage and homeowners were able to refinance into more affordable loans. The Federal Housing Administration (FHA) played the role it was supposed to, ensuring a functioning mortgage market during the housing crisis.

FHA has also ensured access to mortgages for minority homebuyers who are often shut out of the market or offered riskier mortgage products. A recent study from Brandeis University identified housing as a significant contributor to the racial wealth gap.¹⁰⁰ FHA helps to address this problem by offering homeownership opportunities to eligible minorities; in 2011, 50 percent of home purchases by African Americans and 49 percent by Hispanic or Latino borrowers were completed through FHA insured loans.¹⁰¹

⁹⁸ National Economic Council, "Moving America's Small Businesses & Entrepreneurs Forward: Creating an Economy Built to Last," May 2012.

⁹⁹ Ibid.

¹⁰⁰ Shapiro, Thomas, Meschede, Tatjana, and Orso, Sam, "The Roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide, February 2013.

¹⁰¹ Department of Housing and Urban Development, "Annual Report to Congress Fiscal Year 2012 Financial Status FHA Mutual Mortgage Insurance Fund", 12/16/2012.

Like other institutions involved in the housing market during the boom, FHA is paying the price for falling home prices and increasing defaults. The Obama Administration has taken significant steps to improve the solvency of its insurance fund, including raising insurance premiums five times since 2009, increasing down payment requirements for riskier borrowers, and going after lenders that broke the rules.¹⁰² However, if FHA had not stepped in during the crisis, the consequences for our economy would have been far worse. According to preliminary estimates by Moody's, if FHA had stopped doing business in 2010, home prices would have fallen an additional 25 percent. Furthermore, by avoiding an even deeper housing recession, FHA's actions saved an estimated 3 million jobs.¹⁰³

The effects of the housing crisis are still felt by Americans every day. Millions of homeowners lost equity in their homes as home prices fell, leaving them underwater on their mortgages.¹⁰⁴ These homeowners remain trapped in their homes, unable to move for a job or take advantage of low interest rates through refinancing. As a result, they are spending money on their homes instead of in their community. So while recovery is starting to take hold, it is important to continue to look for solutions for families still struggling with underwater mortgages and high interest rates.

The Senate Budget recognizes that while homeownership is not the best option for everyone, responsible middle class families should have the opportunity to own a home.

The Senate Budget ensures that FHA, the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Company (Freddie Mac) can continue to provide stability in a still fragile housing market. As we move forward, we must build on the successful efforts to stabilize the housing market and make sure homeownership is affordable and accessible for middle class families. This remains a priority even while there is bipartisan agreement that the federal government is playing too large a role in the housing market, and its role must be reduced. In fact, we have already started to see private capital beginning to return to the mortgage market.¹⁰⁵

As we consider the future of our housing finance system, smart and measured reform of the housing market should include stabilizing and ensuring the long-term solvency of FHA's Mutual Mortgage Insurance (MMI) Fund, and determining the appropriate role of government-sponsored enterprises, like Fannie Mae and Freddie Mac. However, such reform must not come at the expense of promoting economic growth and upward mobility for families who work hard, save, and are creditworthy, but who still struggle to access mortgage credit.

In comparison, the House Republicans have advocated for the privatization of Fannie Mae and Freddie Mac and the revision of the FHA credit subsidy rate calculation—policies that would come at the expense of creditworthy first-time home-buyers.

The impact of Republican proposals to eliminate GSEs with little consideration for the future of our housing finance system would create additional uncertainty in the market, once again threatening to limit access to mortgages and a retrenchment of private capital.¹⁰⁶

¹⁰² Ibid. and Department of Housing and Urban Development, "FHA takes additional Steps to Bolster Capital Reserves," Press Release, [1/13/2013](#).

¹⁰³ Griffith, John, "The Federal Housing Administration Saved the Housing Market", [10/11/2012](#).

¹⁰⁴ CoreLogic®, "CoreLogic® Reports 1.4 Million Borrower Returned to 'Positive Equity,'" Press Release, [1/17/13](#).

¹⁰⁵ Carol Galante, Testimony before the U.S. House, Committee on Financial Services, [2/13/2013](#).

¹⁰⁶ Departments of Treasury and Housing and Urban Development, "Reforming America's Housing Finance Market: A Report to Congress", [February 2011](#).

The Senate Budget takes the position that the response to the housing crisis should not be to unnecessarily limit homeownership. Rather, the response should be to ensure sound underwriting occurs and safe mortgage products are available to qualified homeowners. This budget balances the need for stability and access to credit with the need to examine the future of the nation's housing finance system.

Investing in our infrastructure to lay down a strong foundation for long-term growth

On February 22, 1955, President Dwight D. Eisenhower delivered a message to the U.S. Congress, explaining why the country needed more investment in its national highway system. He began with the following:

"Our unity as a nation is sustained by free communication of thought and by easy transportation of people and goods. The ceaseless flow of information throughout the Republic is matched by individual and commercial movement over a vast system of interconnected highways crisscrossing the country and joining at our national borders with friendly neighbors to the north and south.

"Together, the united forces of our communication and transportation systems are dynamic elements in the very name we bear—U.S. Without them, we would be a mere alliance of many separate parts."

¹⁰⁷

Today, we are still held together by free communication and a reliable transportation system, but we are again facing the need to reinvest in the infrastructure that makes it all possible.

We need to strengthen the roads and bridges, transit and rail systems, ports and waterways, and air transportation systems that connect people across town and across the country. We need to invest in broadband technology, which makes it possible to communicate and share information. We need to fix our water infrastructure in order to provide clean drinking water and protect our communities from floods. Finally, we need to update our energy and transmission system at a time when so much of our daily lives depend on access to reliable electric power.

Restoring the competitive advantage afforded by a strong and modern transportation system will create a more productive environment for American businesses to expand and grow and will help families and communities. The shortsighted, cuts-only Republican approach to our infrastructure needs leaves little room for needed upgrades, but the Senate Budget prioritizes them—tackling a major obstacle to our future economic strength and potential for broad-based growth.

Investing in transportation infrastructure

For decades, the U.S. enjoyed the benefits that came with having one of the most modern transportation networks in the world. Thanks to American ingenuity and pragmatism, freight moved efficiently, air travel was reliable, and our highways were the envy of the world. Massive investments in infrastructure, much of it initiated by President Eisenhower, built the networks we have today. That vision helped create decades of economic prosperity and supported the rise of a strong middle class.

Fifty years later, much of our transportation system is old and crumbling, a reality as evident to the average commuter or traveler as it is to those who evaluate the overall condition of the nation's infrastructure. Those assessments are alarming:

- The Federal Highway Administration rates 70,000 of the country's bridges as "structurally deficient;"¹⁰⁸

¹⁰⁷ Letter from President Eisenhower to the Congress, Office of the Press Secretary to the President, 2/22/55

¹⁰⁸ White House Office of the Press Secretary, "Fact Sheet: The President's Plan to Make America a Magnet for Jobs by Investing in Infrastructure," 02/20/13.

- The World Economic Forum now rates the quality of U.S. roads 20th in world, just ahead of Taiwan and Cyprus;¹⁰⁹
- Our roads, transit and aviation systems fared no better than a grade of “D” on the American Society of Civil Engineers 2009 report card.¹¹⁰

The failure to adequately maintain and modernize our transportation infrastructure, and to expand it to keep pace with the needs of a population that has grown almost 40 percent since 1980, has real consequences. According to the President’s Economic Recovery Advisory Board, freight congestion alone now costs \$200 billion a year, equal to 1.6 percent of U.S. gross domestic product.¹¹¹ We now waste 2.9 billion gallons of fuel each year in congested traffic,¹¹² and as roads become more clogged, Americans spend more time in their cars, putting them at greater risk of accidents. An estimated 36,000 Americans were killed on our roads in 2012, an increase of about five percent.¹¹³

We continue to rely on the Highway Trust Fund as the principle source of revenue to cover the costs of maintaining our road and transit networks. However, each year it generates less revenue, even as Americans drive more miles. States, desperate for funding, have tried to make up the shortfall, with the result that in 2010 they owed almost three times as much road debt as they did in 1995.¹¹⁴ Many of the nation’s largest transit agencies are in the same predicament,¹¹⁵ incapable of generating the revenue they need to modernize their systems. Like the roads it helped build, the Eisenhower-era funding structure for surface transportation programs is in desperate need of an overhaul.

In aviation, the story is only slightly better. The Federal Aviation Administration (FAA) handles more aircraft each year than does any other country, moving an average of almost 2 million passengers each day with an unequalled safety record. Yet the expected future growth in air travel risks overwhelming our air traffic control system. At a time when tens of millions of Americans carry smart phones that take advantage of the latest computer and satellite networks, the FAA continues to rely on ground-based radar developed during World War II. The result is a quarter of U.S. flights arrive more than 15 minutes late, a situation that is likely to worsen as air travel increases.¹¹⁶

Increases are a certainty because the U.S. is projected to grow an additional 100 million people or more in the next 35 years, with most of that growth expected to occur in already congested areas. Consider that if car ownership rates remain unchanged, the country would see an additional 81 million vehicles on our roads by the time we reach this population milestone. Clearly, to do nothing in the face of these realities is to leave the next generation with levels of congestion that will strangle the economy.

A vision for transportation in the 21st century

The U.S. needs a new transportation vision that will serve its people as well as President Eisenhower’s proposal for the Interstate Highway System did in the 1950s, when our population was half its present size. That vision must modernize the existing aging infrastructure and provide innovative new solutions

¹⁰⁹ Schwab, Klaus, “The Global Competitiveness Report,” World Economic Forum, 2012.

¹¹⁰ American Society of Civil Engineers, “2009 Report Card for America’s Infrastructure,” 03/25/09.

¹¹¹ The President’s Economic Recovery Advisory Board, “Infrastructure Investment and the Creation of a National Infrastructure Bank,” 12/04/09.

¹¹² Texas A&M Transportation Institute, “As traffic jams worsen, commuters allowing extra time for urgent trips.” 02/05/13.

¹¹³ “U.S. traffic deaths rose 5 percent in 2012,” The Detroit News, 02/20/13.

¹¹⁴ Polly Trottenberg, Testimony before the U.S. Senate, Committee on the Budget, 02/26/13.

¹¹⁵ Ibid.

¹¹⁶ Puentes, Robert, and Adie Tomer, “Expect Delays: An Analysis of Air Travel Trends in the United States,” 10/08/09.

that help us to compete successfully in the 21st century. It must take advantage of new and emerging technologies to make travel speedier and safer. It should be transformative, as the creation of the FAA in 1958 was for air safety. Central to its success will be strategies that support economic growth and strengthen the middle class. To be successful, it will need to solve one of our greatest challenges, the lack of resources, by leveraging private capital and identifying a sustainable source of federal funding.

- **Roads** – Our nation’s roads and bridges are a legacy that we need to protect. Today, the Interstate Highway System is over 50 years old. It needs repairs and reconstruction so that it can continue to serve the U.S. economy for another 50 years. The Federal Highway Administration has designated over 143,000 bridges as either structurally deficient or functionally obsolete.¹¹⁷ Those designations mean that either the condition of the bridge has deteriorated and the bridge no longer performs as it should, or that the design of the bridge no longer meets the needs of the surrounding road system. Without additional investment, we will continue to lose the kind of mobility and safety that we have been able to take for granted for so many years.

We must also add to our legacy, and continue to shape and improve our communities. More than ever, state and local governments are planning road projects that make room for bicyclists and pedestrians, bridge projects that include transit as well as cars and trucks, and regional plans that require multiple jurisdictions to work together. While we continue investing in our roads and bridges, we need to make sure that federal programs remain compatible with each other to accommodate the innovation happening at the State and local level.

- **Freight** – Freight transportation serves as the backbone of the global economy, and over the past 30 years, the efficient movement of goods has helped drive U.S. economic growth. Retailers rely on our transportation network to efficiently deliver a steady stream of goods from across the country and around the world. U.S. manufacturers rely on just-in-time delivery to produce their goods and get them to market. But the increased congestion on our highways, railroads, and ports adds to the cost of moving freight.¹¹⁸ The investment in our transportation systems has not kept pace with basic maintenance, nor has it added capacity to meet our growth needs for the future. The value of U.S. trade in goods is expected to double in the next 13 years¹¹⁹ and if U.S. infrastructure does not keep pace, we risk diminishing productivity and higher costs for businesses and consumers alike.

Major changes in transportation planning and funding will be necessary to keep pace with anticipated growth. The federal government must partner with states, local governments and private entities to target investments at improving the national and regional movement of freight, reducing congestion, fostering economic growth and promote global competitiveness. Freight investments should focus on projects that involve multiple states or jurisdictions, or that involve both public and private resources, such as multi-state trade corridors.

- **Transit** – As Building America’s Future, a bipartisan coalition of elected officials, notes, building more roads alone will not solve the nation’s congestion challenge.¹²⁰ We must also expand access to public transit to more Americans, offering a reliable, lower-cost and energy-efficient alternative to the large portion of the population that has no other alternative today but the automobile. This is a pragmatic

¹¹⁷ Federal Highway Administration, “Deficient Bridges by State and Highway System,” 02/07/12.

¹¹⁸ Federal Highway Administration, “Public Roads, Vol. 68 – No. 3,” November/December 2004.

¹¹⁹ IHS Global Insight, “The U.S. Economy: The 30-Year Focus,” First Quarter 2012.

¹²⁰ Building America’s Future, “Falling Apart and Falling Behind” 2011.

recognition that in many heavily congested areas, we will never be able to build enough new bridges or roads to ease congestion, especially as our population continues to grow.

- Passenger rail – The growth in passenger rail ridership in the Northeast U.S. offers an energy-efficient and environmentally-friendly mode of transportation that could be replicated in other parts of the country. However, in the Northeast and elsewhere, reliance on track, tunnels and bridges that are over a century old limits our ability to provide reliable service and increase capacity to meet demand. Currently, the corridor serves 13 million Amtrak passengers, 200 million commuter rail passengers, and 25,000 freight trains annually.¹²¹ This volume is expected to increase 59 percent by 2030.¹²² To accommodate this growth, the U.S. will need to establish more reliable passenger service comparable to the world class systems operating across Europe and Asia. These systems increase mobility and promote regional economic development, and the demand for new passenger rail equipment will create new jobs in the nation's manufacturing sector.
- Aviation – The technology that our air traffic controllers use to keep air travel safe is outdated. We need to continue our investments in the FAA's modernization to make possible projected future growth in air travel.
- Ports and waterways – Ports are the gateway to the nation's transportation web, handling more than 95 percent of our overseas trade.¹²³ However, as the volume of trade quickly increases, we must ensure that our ports can handle the additional volume to support US economic growth. We need to ensure our ports can accommodate the new deep draft post-Panamax vessels, and seamlessly integrate the movement of cargo into the nation's vast multi-modal transportation systems.

Using innovative approaches to investing in our infrastructure

While we need to strengthen the federal programs that provide basic investments in our nation's infrastructure, that is not going to be enough to keep the US competitive. We also need to create new opportunities for financing our infrastructure needs.

For this reason, the Senate Budget proposes two innovations for financing infrastructure investments: tax-credit bonds, and an infrastructure bank. Both initiatives build on past successes of the federal government to make strategic investments in transportation projects that make a difference in regions and communities across the country, and leverage investments from the private sector and other sources.

Tax-credit bonds to support new jobs and infrastructure

The Senate Budget allows the use of tax-credit bonds, such as recent proposals for TRIP bonds, as part of a fiscally responsible infrastructure plan. Under a tax-credit bond program, states or local governments are authorized to issue bonds and use the proceeds of those bond sales to fund roads, bridges, railroad projects, transit systems, ports, inland waterways, or other kinds of infrastructure. Investors who buy the bonds will receive tax credits instead of interest on the bond.

Authorizing tax-credit bonds would build on the success of Build America Bonds, which expired on December 31, 2010. In less than two years, there were 2,275 separate issues of Build America Bonds, and

¹²¹ National Railroad Passenger Corporation (Amtrak), "National Railroad Passenger Corporation: 2012 Update Report," July 2012.

¹²² National Railroad Passenger Corporation (Amtrak), "The Northeast Corridor Infrastructure Master Plan," 03/24/10.

¹²³ Frittelli, John, "Port and Maritime Security: Background and Issues for Congress," Rep. no. RL31733. 27 05/27/05.

all 50 states participated in the program. The bonds supported over \$181 billion of financing for new infrastructure projects such as schools, bridges and hospitals.¹²⁴

Traditionally, the federal government used tax-exempt bonds to support infrastructure investments by state and local governments. However, according to the CBO, tax-credit bonds offer a more cost-effective way for the federal government to support state and local investments.¹²⁵ Build America Bonds show what happens when you put better tools into the hands of our states and local communities.

Infrastructure bank

The Senate Budget includes \$10 billion to start an infrastructure bank, which can provide direct loans and loan guarantees for a variety of infrastructure investments. These investments may include roads and bridges; transit and rail systems; port and water infrastructure; or other critical projects that help sustain our economy.

By providing credit assistance, an infrastructure bank can leverage federal dollars to achieve significantly more project funding through private investment and other sources.

An infrastructure bank can also provide an opportunity to support crucial infrastructure projects that currently seem out of reach, particularly projects that cross state boundaries, involve several local jurisdictions, or include more than one mode of transportation or sector of the economy. These projects can be difficult to fund through traditional federal programs or formula grants.

An infrastructure bank would build on the success of the Department of Transportation's (DOT) Transportation Infrastructure Finance and Innovation Act (TIFIA) program. This program provides direct loans and loan guarantees to support transportation projects of regional or national significance. Because the TIFIA program offers credit assistance and only covers 33 percent of a project's total cost, the federal investment leverages significant contributions from the private sector and other sources of funding. In fact, every dollar used through the TIFIA program can provide about \$10 in loans and support up to \$30 in total infrastructure investments.¹²⁶

However, the demand for investment opportunities is greater than what our current infrastructure programs can provide. An infrastructure bank would create new opportunities to build the kind of infrastructure that our economy demands.

The Senate Budget approach: lay down a strong foundation for long-term economic growth

Given the high stakes for our country and its future, this budget protects investment in transportation infrastructure and makes sure that as we save money responsibly, our investments go toward the highest-value projects that help the greatest number of families and communities. By comparison, House Republicans would damage our national economic prospects by making deep cuts to transportation investment, accelerating the deterioration of roads, bridges and transit systems.

Last year, Congress passed legislation that continues our investments in highways, transit and road safety. This budget protects those investments and makes room for needed growth in them in responsible ways if Congress can agree on how to produce the additional revenue they require. It also

¹²⁴ Department of the Treasury, "Treasury Analysis of Build America Bonds Issuance and Savings," [05/16/11](#).

¹²⁵ Frank Sammartino, Testimony before the U.S. Senate, Committee on Finance, [04/25/12](#).

¹²⁶ Federal Highway Administration, "Transportation Infrastructure Finance and Innovation Act (TIFIA) program" accessed [3/8/13](#).

replaces the damaging automatic reductions to the FAA, transit, and transportation safety programs as a result of sequestration with alternatives that save money without hurting our economy.

The House Republican solution: make it worse

Over the past decade, a long list of think tanks, bipartisan coalitions and blue ribbon panels have pressed for action to address America's crumbling transportation infrastructure, and warned of the danger inaction poses to our economic competitiveness. Even the U.S. Chamber of Commerce and AFL-CIO, which disagree on most issues, joined together to press for greater federal investment in the nation's transportation infrastructure.

The Chamber's President, Tom Donohue, warned in February 2011 that the "consequences of an underperforming system are hundreds of billions of dollars annually in wasted fuel, lost productivity,"¹²⁷ and other costs. Yet, as our levels of investment lags behind other countries, the House Republicans have proposed deep cuts to what funding remains available. In doing so, they offer no explanation of how disinvestment supports the long-term growth of the economy, or addresses the daily transportation challenges facing millions of Americans.

Despite warnings about the economic consequences of allowing our infrastructure to fall still further behind, the House Republicans' vision of small government drowns out other considerations, even if short-term savings result in far greater long-term costs. Their proposals make no mention of how transportation fits in their vision for the future. Other countries have a far better idea of its importance.

China, one of our major economic competitors, has used public-private partnerships to develop a transportation system focused on competing in a global economy, as well as supporting the transportation needs of its people. After 20 years of investment, it now has a state-of-the-art 53,000-mile-long network of expressways modeled on our own interstate highway system.¹²⁸ The productivity of its ports, according to a 2008 DOT analysis, is unmatched by any port in the U.S. It is making rapid progress in rail and aviation. As the same DOT report notes, "China competes as a nation. For the U.S. to remain competitive globally, it needs to invest in transportation infrastructure".¹²⁹

Investing in broadband

From a family's living room in Seattle, Washington, to an emergency room in Milwaukee, Wisconsin, to a small businesses in Richmond, Virginia, broadband access drives not only the speed by which information is accessed through the internet, but also how technology can be harnessed to provide a competitive advantage to American companies, and improve the quality of our education, health care, energy grid, government, and public safety.

The Federal Communications Commission, in The National Broadband Plan, described broadband as "the great infrastructure challenge of the early 21st century." Broadband touches every aspect of American life today:

"Like electricity a century ago, broadband is a foundation for economic growth, job creation, global competitiveness and a better way of life. It is enabling entire new industries and

¹²⁸ Central Intelligence Agency, "The World Factbook: China," 02/14/13.

¹²⁹ Federal Highway Administration, "Freight Mobility and Intermodal Connectivity in China," May 2008.

*unlocking vast new possibilities for existing ones. It is changing how we educate children, deliver health care, manage energy, ensure public safety, engage government, and access, organize and disseminate knowledge.*¹³⁰

Our nation's small businesses rely on broadband for everything from processing credit card transactions to ordering products. Broadband enables air traffic control towers to safely land airplanes, and is helping to modernize our energy grid—making it more efficient and reliable. When a doctor accesses a patient's electronic health record to make a life or death decision, she is using broadband. And, when a child uses high-speed internet to learn more about the world around her, broadband is the tool that brings that information to her fingertips.

Broadband is also essential for American corporations managing global supply chains and small businesses relying on the internet to compete against foreign companies on an unprecedented scale. Yet according to the FCC, and based on 2011 data from the Organization for Economic Co-operation and Development, compared to other countries, the U.S. ranks only seventh for wireless broadband penetration on a per capita basis. For DSL or cable broadband, America ranks fifteenth. The FCC reported "[U.S.] wired broadband adoption continues to lag behind such countries as South Korea, the United Kingdom, and Germany, but exceeds adoption rates in Israel, Australia, and the EU average"¹³¹ Within a fiercely competitive global economy, American companies need every advantage technology can provide. To ensure such a competitive advantage, full scale investment in broadband is essential.

While America's broadband infrastructure matters for companies doing business abroad, it is also important for Americans at home. For many in our nation, broadband access is as ordinary as picking up the morning paper. Yet for others, there remains a digital divide—a gap between those with access to high-speed internet and advanced telecommunications services and those without.

Especially for Americans living in rural areas, broadband access impacts not just the speed by which information can be accessed, but better access can also mean greater economic growth and job creation. According to the Massachusetts Institute of Technology, in a February 2006 report, "between 1998 and 2002, communities in which mass-market broadband was available by December 1999 experienced more rapid growth in employment, the number of businesses overall, and businesses in IT-intensive sectors, relative to comparable communities without broadband at that time."¹³² Likewise, in a 2007 study, the Brookings Institution "found that for every one percentage point increase in broadband penetration in a state, employment is projected to increase by 0.2 percent to 0.3 percent per year. For the entire U.S. private non-farm economy, the study projected an increase of about 300,000 jobs."¹³³

The Senate Budget reflects a commitment to broadband deployment and access throughout the U.S., from rural communities to inner-city neighborhoods. By restoring key programs, such as the Rural Utilities Service of the Department of Agriculture, to pre-sequestration levels of funding, the budget ensures sustained investment in our nation's broadband infrastructure.

In contrast, the House Republicans have proposed reducing funding for certain agencies, including the Department of Commerce and its National Telecommunications and Information Administration, one of

¹³⁰ Federal Communications Commission, "Connecting America: The National Broadband Plan," 03/17/10.

¹³¹ Federal Communications Commission, "International Broadband Data Report, Third Report," 08/21/12.

¹³² Congressional Research Service, "Broadband Internet Access and the Digital Divide: Federal Assistance Programs," 1/28/13.

¹³³ Congressional Research Service, "Broadband Internet Access and the Digital Divide: Federal Assistance Programs," 1/28/13.

the lead agencies responsible for expanding access to broadband access throughout the U.S., by nearly \$19 billion over ten years.¹³⁴

By cutting funding to agencies like the National Telecommunications and Information Administration, the House Republicans would cut investment in broadband. These cuts risk furthering the digital divide and come at the expense of local communities relying upon broadband access in order to harness and leverage cutting edge technology, and in so doing, create jobs and strengthen their local economies.

Investing in our power grid and national energy infrastructure

The country's electric transmission grid is vulnerable and outdated. Much of the transmission system in the U.S. was built decades ago and has not been upgraded. In addition to the age of our power grid, weather events that are both more extreme and more frequent batter our transmission system, causing outages and delays in bringing power back online. The Electric Power Research Institute has estimated that these outages and delays cost U.S. businesses \$104 billion to \$164 billion per year.¹³⁵

Yet, physically upgrading our grid is only part of the challenge. We also need to encourage utilities and households to make smarter electricity usage choices by automating transmission assets and installing technology that allows for easy communication between the grid, our power companies, and our households. These types of "smart grid" technologies will increase efficiency in the system while saving middle class families and small businesses on their power bills.

Investing in our power grid will help us modernize our power supply to meet the demands of a vibrant 21st century American economy. Investments in the power grid help us increase reliability, lower power prices, and bring renewable energy resources to our homes and businesses.

The Senate Budget realizes the importance of the power grid and continues to make crucial investments in modernizing our grid infrastructure by increasing funding for several infrastructure programs. For instance, this budget invests in research and development funding in cybersecurity measures to help ensure that our grid is safe from foreign attacks. It helps utilities implement smart grid technologies to increase energy efficiency and lower household power bills. And it protects large-scale funding programs that aim to increase redundancy and resiliency in the system while bringing renewable energy resources to market.

House Republicans' proposals, on the other hand, slashed billions of dollars in funding for electric transmission projects that would improve reliability and help bring all energy resources to market. Their cuts also cost the American economy thousands of high-paying middle class construction jobs throughout the country. Under the Republican plan, it would be far likelier that each time our communities face severe weather, they will also face prolonged power outages that affect our homes, schools and businesses.

¹³⁴ Calculation based on the difference between the Ryan FY2013 Chairman's Mark for function 370 over 10 years (2023 projection based on percentage change year-over-year) and the FY2014 Adjusted CBO January Baseline "Regular"

¹³⁵ Consortium for Electric Infrastructure for a Digital Society, "The Cost of Power Disturbances to Industrial & Digital Economy Companies," 06/29/01.

Investing in our water and community infrastructure

The United States faces critical challenges to providing our families with the life-saving water infrastructure we need. From clean drinking water supplies, to wastewater facilities, to large-scale waterworks that protect our families from flooding, our water infrastructure provides the foundation for healthy, safe communities.

However, federal, state, and local agencies consistently report that our water infrastructure is crumbling and in dire need of repair and replacement. For example, the Environmental Protection Agency's most recent estimate of funding needs for drinking water and wastewater facilities in the U.S. exceeds \$660 billion.¹³⁶ On top of that, water infrastructure constructed by the Army Corps of Engineers and the Bureau of Reclamation is desperately underfunded. This funding is critical, as it protects our communities from flooding, maintains our harbors, restores highly degraded ecosystems like the Everglades, the Puget Sound, and the Chesapeake Bay for future generations, and provides clean, affordable hydropower for American families. The Army Corps of Engineers alone receives less than \$2 billion annually for construction while facing a construction backlog of more than \$60 billion.¹³⁷ The Army Corps of Engineers and the Bureau of Reclamation also face maintenance backlogs on existing facilities totaling billions of dollars.

As a nation, we must make investments in critical water infrastructure to protect the safety and well-being of our families and communities in a fiscally-responsible manner. Hard-working families, through the rates they pay, currently invest nearly 90 percent of all funds in the country for drinking water supplies and wastewater treatment,¹³⁸ yet there remains a roughly \$11 billion gap in what is invested per year and what is needed.¹³⁹ Instead of placing more hardship on strained family budgets the federal government should help close that gap in investment. Similarly, many of the nation's large dams and levees were built by the federal government, and the federal government is responsible for their maintenance and operation.

The Senate Budget emphasizes investments in water infrastructure in two ways. First and foremost, this budget pledges funding to provide the critical maintenance necessary to keep existing facilities working safely and effectively. To accomplish this, it increases funding for operation and maintenance activities done by the Army Corps of Engineers and the Bureau of Reclamation. For the Army Corps of Engineers in particular, this budget includes new measures to ensure that the Harbor Maintenance Trust Fund will fully expend the collections that are deposited into it annually.

Second, this budget ensures that adequate federal funding is available to construct new infrastructure that is critically lacking in too many communities. Investments in drinking water supplies, wastewater treatment and disposal, and facilities to protect our loved ones from catastrophic flooding are only some of the investments we make. An investment in water infrastructure is a show of support for healthy, safe American communities. As such, this budget increases funding for vital water programs, such as the Rural Water Supply Program, that will deliver water supplies to communities in need. This budget also

¹³⁶ Copeland, Claudia, Congressional Research Service, "Legislative Options for Financing Water Infrastructure," 09/05/12.

¹³⁷ Carter, Nicole, and Charles Stern, Congressional Research Service, "Army Corps Fiscal Challenges: Frequently Asked Questions," 08/18/11.

¹³⁸ Copeland, Claudia, and Mary Tiemann, Congressional Research Service, "Water Infrastructure Needs and Investment: Review and Analysis of Key Issues," 12/28/12.

¹³⁹ Copeland, Claudia, Congressional Research Service, "Legislative Options for Financing Water Infrastructure," 09/05/12.

increases funding for the Construction program of the Army Corps of Engineers, which will allow them to construct deeper harbors in places like Charleston, South Carolina, to strengthen our export economy.

This vision stands in stark contrast to the House Republican approach, which slashes funding from programs that help communities build drinking water supplies, strengthen flood control levees and dams, and restore treasured ecosystems that have been severely degraded.

Infrastructure groups have roundly denounced the Republican cuts to infrastructure, with the American Society of Civil Engineers detailing its disappointment with what it called a “shortsighted” plan.¹⁴⁰ The cuts in water infrastructure funding promoted by the Republicans are not only shortsighted – they put our families and communities at risk. Under the Republican plan, the country would run the risk of a catastrophic failure of critical infrastructure by deferring critical maintenance activities and would be unable to make the common sense investments in water supplies that our families, communities, and businesses depend on.

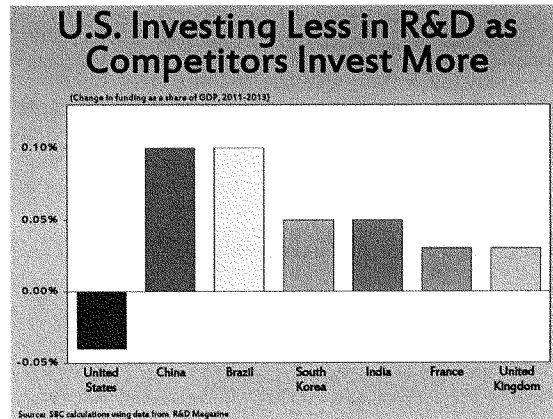
¹⁴⁰ Letter from American Society of Civil Engineers to Representative Paul Ryan, 04/13/11.

Investing in research, innovation, health care, and key industries that will grow and create jobs

The Senate Budget recognizes the importance of continuing our global leadership in research and development and supporting emerging industries in the U.S., so that we can create jobs now and in the future through continued technological advances. Yet a disturbing trend has begun to emerge in the U.S.: Our investment in research and development (R&D) has been decelerating as a share of our economy in recent years compared to other nations around the world.

This trend, if allowed to continue, could severely impact our competitiveness and ability to create jobs in the future.

The Senate Budget recognizes that while the private sector is the key engine of economic growth in the U.S., government can play a role in speeding the development of new technologies and products that private investors may not be willing to bet on. Federal investments helped launch some of our most successful companies and led to technologies that have created jobs and supported economic growth and innovation across the country.



While the House Republican approach would make it impossible for the federal government to contribute needed resources to research, development and support for growing industries, the Senate Budget reflects an understanding that it is in the interest of current and future American workers to continue leading the way in the global economy.

To accomplish this, the Senate Budget:

- Prioritizes research and development;
- Invests in job-creating clean energy development as well as in domestic bridge energy production;
- Encourages the growth of high-skill, 21st century manufacturing industry in the U.S.; and
- Continues to help businesses, including new startups, export their products around the globe.

University research

In the 20th century, the American model of research in partnership with higher education provided an enormous return on investment. Basic scientific research and innovation are key economic drivers of growth; researchers have noted over half of domestic growth could be attributed to advancements in knowledge, particularly in technology.¹⁴¹ Historically, investments in research have enjoyed bipartisan

¹⁴¹ Hunter Rawlings, Testimony for before the U.S. Senate, Committee on the Budget, [2/26/13](#).

support. In fact, the Simpson-Bowles Commission recommended continued support in order to “provide economic growth, keep the U.S. globally competitive and allows businesses to create jobs.”¹⁴²

But there are concerning trends on the horizon. Sequestration reduces federal funding for R&D by almost \$10 billion per year,¹⁴³ which would impact the next generation of research and have long-term negative economic effects.¹⁴⁴ But while we are cutting these investments, our global competitors are increasing their investments and producing more researchers.¹⁴⁵ Should the U.S. fail to maintain education and research investments, other countries will be there to claim our global leadership position.

Sequestration’s cuts to research and education are sending the wrong message to universities and our students at a time when the U.S. needs a highly-skilled workforce to grow the economy. By replacing sequestration in a balanced and responsible way, the Senate Budget continues these critical investments to create jobs, improve life expectancy, and raise standards of living.

Investing in science R&D

Federal support of science R&D brings us technologies that greatly enhance our lives as well as educational opportunities for our children and grandchildren, but it has not been immune to the budgetary pressures faced by other federal programs.

Funding for the National Science Foundation, the Department of Energy’s Office of Science, and NASA has been reduced from levels needed to ensure adequate science R&D takes place around the nation. The result is less innovation, fewer opportunities for our children to take part in Science, Technology, Engineering, and Math (STEM) education, and the loss of our nation’s competitive edge.

The Senate Budget reflects the belief that investment in science R&D is an investment in innovation that will help the American economy remain the strongest in the world. This budget not only fully replaces the cuts from sequestration to science R&D, but it increases funding for activities in NASA. This increase supports NASA’s balanced approach to human space flight and maintains efforts in aeronautics and scientific research, technology development, and education, which will allow NASA to continue leading the world in space, while benefiting us here on Earth.

Federal funding for science R&D has brought this country many incredible innovations, from barcodes and web browsers to MRIs and speech recognition technology. The House Republican approach, on the other hand, would cut off investments in federally-sponsored research and development, which would end up increasing our innovation deficit and hurting the next generation’s workers and economy.

Investing in life science research

The U.S. has long been a leader in both life sciences and information technology. The vast advances in computing and processing power have combined with ongoing life science research to enable a more

¹⁴² The National Commission on Fiscal Responsibility and Reform, “The Moment of Truth,” [December 2010](#).

¹⁴³ American Association for the Advancement of Science, “Science and Technology in Congress,” [February 2013](#).

¹⁴⁴ Information Technology and Innovation Foundation, “Eroding our Foundation: Sequestration, R&D, Innovation and U.S. Economic Growth,” [September 2012](#).

¹⁴⁵ National Science Foundation, “Chapter 4. Research and Development: National Trends and International Comparisons,” [Figure 4-15](#).

systemic understanding of biology and medicine. This promises exciting new insights and innovations in health, agriculture, national security, environmental protection, and renewable energy.

Investment in life sciences not only leads to breakthroughs in new therapies and pharmaceutical drugs, it also creates high-wage jobs all across this country. A great illustration of this was made by Dr. Hunter R. Rawlings III, President of the Association of American Universities in testimony to the Senate Committee on the Budget on February 26, 2013:

*"A recent study by United for Medical Research demonstrates the extraordinary return on investment by scientific research, showing that government funding through the National Institutes of Health (NIH) in 2012 alone supported nearly half a million jobs and \$58 billion in economic activity nationwide. The long-term impact is far greater. One single project supported by NIH – the Human Genome Project – has spurred more than \$796 billion in economic growth. This is a 141-fold return on investment, in addition to the extraordinary advances in human health which it has only begun to make possible."*¹⁴⁶

In 2011, the funding NIH spent in all fifty states supported nearly half a million jobs all across this country.¹⁴⁷ A 2011 report titled "NIH's Role in Sustaining the U.S. Economy," United For Medical Research speaks to the value of NIH investment to the economy: "In addition to the direct jobs impact, there is a broad and compelling literature demonstrating the dynamic role between NIH spending and the private sector as the discoveries NIH finances move to commercial applications involving new medicines, tests, procedures, and devices."¹⁴⁸

Life science research is also important to ensuring the Food and Drug Administration (FDA) fulfills its charge of ensuring the safety and effectiveness of products Americans rely on, including: drugs, medical devices, vaccines, dietary supplements, cosmetics, and the vast majority of our food supply. We depend on the FDA to protect consumer and patient health, but this task also drives our economy. Industries regulated by the FDA account for approximately \$1 trillion in consumer products annually, or 25 percent of all consumer spending.¹⁴⁹

A 2011 Report by the Alliance for a Stronger FDA states: "The industries regulated by the FDA depend upon an agency with strong scientific and regulatory capacity that can provide clear, timely, consistent and reliable science-based guidance. A vibrant, effective regulatory system at the FDA is a key contributor to the viability and success of the FDA-regulated industries —and ultimately to our nation's economic success."¹⁵⁰

To help FDA in its mission to ensure consumer and patient safety, and to ensure safe consumer goods are available, the Senate Budget includes an increase in funding.

Investing in R&D at the Department of Defense and the VA

The Department of Defense (DOD) is responsible for a major portion of the government's R&D funds, having requested \$69.7 billion for research, development, test, and evaluation funding in the President's

¹⁴⁶ Hunter Rawlings, Testimony for before the U.S. Senate, Committee on the Budget, 2/26/13.

¹⁴⁷ United for Medical Research, "NIH's Role in Sustaining the U.S. Economy," 03/20/12.

¹⁴⁸ United for Medical Research, "NIH's Role in Sustaining the U.S. Economy," 03/20/12.

¹⁴⁹ Food and Drug Administration, "FDA Science and Mission At Risk: Report of the Subcommittee on Science and Technology," November 2007.

¹⁵⁰ Alliance for a Stronger FDA, "The U.S. Food and Drug Administration: A Cornerstone of America's Economic Future," 03/07/11.

Fiscal Year 2013 request. Those types of investments have led to revolutionary innovations. Without DOD-funded developments, like lasers or the Internet, the world would be a very different place. These research efforts are also critical to maintaining the capabilities and expert workforce necessary to develop the most advanced defense capabilities and to compete in the battlefields of tomorrow.

These research programs are also important job-creators here at home. One estimate, by The Science Coalition, identified 28 different companies that would not exist today were it not for DOD-funded research or developments. That study estimated those companies are currently responsible for more than 100,000 jobs.¹⁵¹

Protecting investments in research, even in the face of the challenges before us, must be a priority. Because of the long timelines, our researchers must be assured of consistent and predictable funding in order to plan and conduct their research effectively. As other nations continue to increase their funding of science and technology research, we must be careful not to fall behind and risk losing the industries and capabilities of the future. However, sequestration would cut \$6.054 billion from DOD research accounts, crippling these key programs.¹⁵²

The Department of Veterans Affairs (VA) similarly has an important medical and prosthetic research program that is responsible for developing the pacemaker and the heart stent, as well as some of the world's most sophisticated research on post-traumatic stress disorder and traumatic brain injury. The VA is also critical to maintaining a scientifically and technologically advanced national workforce through its administration of the Post-9/11 GI Bill and other education benefits. In these programs, many veterans who already have advanced technical skills from their military service can expand on them through advanced STEM education at universities and excel in the private sector. This is not just beneficial for the individual veteran, but for the entire country, which continues to benefit from the investments we have made in training and educating our servicemembers and veterans.

For both DOD and VA programs, the Senate Budget makes smart decisions for long-term success by budgeting to protect these investments.

Investing in clean energy jobs and 21st century energy production

As clean energy becomes a larger share of global energy production, the U.S. can and must compete for the industries and jobs that come with growing reliance on clean energy resources. Hundreds of thousands of Americans are already employed in clean energy fields,¹⁵³ and continued investment in clean energy production will drive further job creation and growth.

Investments in clean energy innovation, as well as in energy efficiency, help our nation transition to a low-carbon energy economy while spurring new job creation and economic growth. American ingenuity and determination enable us, as a nation, to discover and deploy the next front in clean energy technologies.

The Senate Budget recognizes the crucial role energy research plays in current and future job creation and economic competitiveness, and increases federal investments in energy research and development

¹⁵¹ The Science Coalition, "Sparkling Economic Growth: How Federally Funded University Research Creates Innovation, New Companies, and Jobs," April 2010.

¹⁵² Office of Management and Budget, "OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013," 3/1/2013.

¹⁵³ The Pew Charitable Trusts, "Innovate, Manufacture, Compete: A Clean Energy Action Plan," 2012.

(R&D) for programs at the national labs and ARPA-E. This budget continues support for deployment and commercialization of new energy technologies, and ensures that federal investments will continue to attract private capital. And it invests in energy efficiency to help stretch our energy resources.

In addition to investing in the creation and commercialization of revolutionary new sources of energy, this budget funds common-sense programs that will help our nation conserve the energy it already produces. It increases investments in funding for critical energy efficiency programs, such as the Weatherization Assistance Program and the State Energy Program. This budget also restores funding that has been cut from programs to make federal buildings more energy efficient. By making our offices and homes more efficient, we save money and reduce the need to build more electricity generating resources.

Conversely, the Republican Budget slashes funding for clean energy R&D. If enacted, Republican energy priorities will set back the health of our families, continue our energy trade deficit as we import more energy than we produce, and leave us at a competitive disadvantage for attracting jobs in growing clean energy industries.

Investing in domestic bridge energy resources

The Senate Budget reflects the fundamental understanding that it will take time to transition to the clean energy economy of tomorrow. While important progress in lowering emissions has been made through the commercialization of clean energy resources, increasing the efficiency of our homes and businesses, and getting more mileage out of every tank of gas, more needs to be done. That's why this budget invests in clean energy R&D, energy efficiency, smart grid deployment, and other technologies.

At the same time, our budget also invests in responsibly utilizing domestic oil and gas reserves as a bridge to a clean energy future. This budget provides adequate funding to allow the Administration to follow its established leasing plans while increasing funding for our onshore and offshore oversight agencies to ensure that resource extraction is done in a way that provides environmental safeguards.

Questions remain about new extraction technologies and their impacts on methane emissions and groundwater contamination, as well as on wastewater disposal techniques and chemicals used in the extraction process. Agencies implementing leasing plans must have the resources necessary to make sure that our public lands are developed, where appropriate, without harming public health or the environment. Once developed, agencies must also have a mitigation framework in place to offset that development, to include enhanced stewardship and acquisition of new lands using the Land and Water Conservation Fund.

Investing in 21st century manufacturing

The last few decades have been challenging for American manufacturing companies and workers, but over the last few years, we have begun to see a resurgence and roughly half a million manufacturing jobs have been added over the course of the economic recovery. Still, there is much more to be done to continue gaining back the millions of manufacturing jobs that moved overseas before and during the Great Recession.

The U.S. has been lagging behind in innovation in manufacturing to both low-wage countries, as well as to high-wage, high-tech countries.¹⁵⁴ The Senate Budget makes investments to attract more manufacturing jobs back to the U.S. by supporting the development of a network of collaborative manufacturing innovation centers that will accelerate technology deployment, conduct critical research and development, and inform demand-driven education and training. In order to ensure that the innovations produced by these centers lead to successful and measurable commercialization in the U.S., this budget supports close alignment with small and medium-sized enterprises and existing resources and expertise in the federal and state governments critical to providing a sustainable supply chain.

One facet of manufacturing that holds great promise, for example, is the use of composites. While the use of composites is nearly 100 years old, their use and applications have grown to the point where the American composites industry is now made up of nearly 3,000 companies, employing more than half-million people in all 50 states, and generating almost \$70 billion in revenues annually. The Senate Budget also supports public-private partnerships to accelerate the development and commercialization of advanced composite materials for application across a wide variety of industries.

Investing in exports and international competitiveness

American workers remain the most innovative and most productive in the world. American labs, factories, and farms continue to create products that consumers around the world continue to demand. This is more important now than it has ever been, as more American exports means more American jobs.

Ninety-five percent of the world's population lives outside of the U.S. Millions are entering their nation's middle class for the first time and now have the purchasing power to demand new consumer goods, better food, and a higher level of services. The U.S. continues to have strong trading relationships with our traditional trading partners that we must continue to expand, but developing nations in Asia, Africa, and the Middle East are also potential new markets for American goods and services.

At the same time, countries around the world are competing to reach the hearts and wallets of these new consumers, so the U.S. must fight for its international competitiveness in the world marketplace. If we do not build it here at home, somebody else will build it abroad.

The Senate Budget continues the progress already made to expand U.S. exports. It helps to ensure that the government agencies that open new markets for U.S. exports and work to level the playing field for American workers are not hamstrung in their efforts.

The House Republican approach, in contrast, would make steep cuts to those programs American companies depend on to be competitive internationally. Their approach would actually make it more difficult for American companies to break into new markets.

Their proposal would slash funding for the Department of Commerce and the U.S. International Trade Commission, which investigates and brings legal action against foreign companies that illegally dump low-cost goods into the U.S. or receive foreign government subsidies and undercut American products.

Finally, the House Republican proposal would reduce the number of inspectors who scrutinize incoming cargo for destructive insects, counterfeit goods, and keep the flow of commerce moving. In short, House

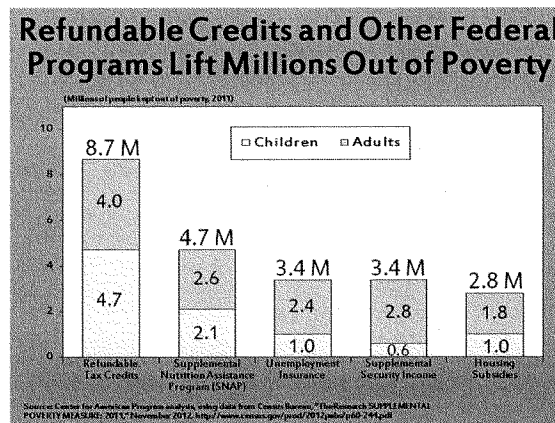
¹⁵⁴ Report to the President on Ensuring American Leadership in Advanced Manufacturing. President's Council of Advisors on Science and Technology. June 2011.

Republicans would actually make it harder for American companies to compete, right at the exact time when we need to increase exports to create jobs here in the U.S.

Investing in the middle class through targeted and efficient tax cuts

The Senate Budget recognizes that sustainable economic growth depends on a strong and vibrant middle class, and that true prosperity is built from the middle out, not the top down. That is why the Senate Budget builds on the middle class tax relief that was legislated in the American Taxpayer Relief Act of 2012 (ATRA) and supports the permanent extension of the American Opportunity Tax Credit—which has made higher education more affordable for millions of middle class families—as well as the temporary enhancements to the Earned Income Tax Credit and Child Tax Credit, all of which are scheduled to expire after 2017.

Because their value increases with income, the refundable Earned Income Tax Credit and Child Tax Credit incentivize work and help to lift millions of Americans out of poverty each year. In fact, they keep more Americans out of poverty than any program other than Social Security.



At a time when so many low-income and middle class families have endured years of stagnant wage growth and have already sacrificed greatly in the name of deficit reduction, the Senate Budget ensures that they will not also be asked to pay higher taxes.

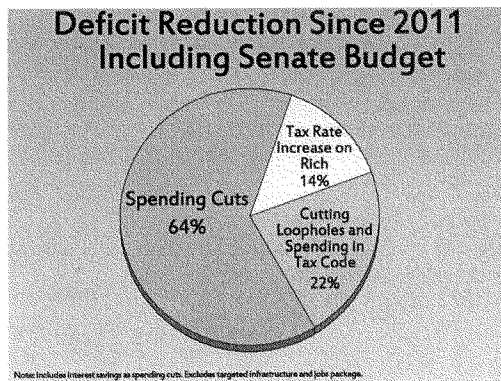
Tackling our deficit and debt responsibly

The Senate Budget takes the position that we owe it to our children and grandchildren to tackle our deficit and debt responsibly and not simply pass along an unsustainable debt for the next generation to deal with. This budget takes a sustainable, fair, and credible approach to tackling this challenge.

Our long-term deficit and debt problems took many years to develop, and they will not be solved overnight. Rather than pursuing an extreme, economically irresponsible cuts-only approach, the Senate Budget builds on the work done over the past two years to surpass the bipartisan deficit reduction goal of \$4 trillion and responsibly put our deficit and debt on a downward, sustainable path.

The budget achieves these bipartisan goals through a balanced mix of responsible spending cuts and new revenue from closing loopholes and ending wasteful spending in the tax code that benefit the wealthiest Americans and biggest corporations—an approach that the American people have consistently supported.

- Building on the \$2.4 trillion in deficit reduction achieved since 2010, the Senate Budget reduces the deficit by an additional \$1.85 trillion, which fully replaces sequestration and brings the total deficit reduction to \$4.25 trillion. The budget therefore surpasses the bipartisan goal of \$4 trillion in deficit reduction over ten years and puts our deficit and debt on a downward and sustainable path.
- This budget builds on the \$600 billion in revenue from the wealthiest Americans brought in by the year-end deal with an additional \$975 billion that comes from closing loopholes and cutting wasteful spending in the tax code that benefits the wealthiest Americans and biggest corporations, for a total of \$1.575 trillion in new revenue brought in since the Simpson-Bowles report from those who can afford it most.
- This budget also builds on the \$1.8 trillion in spending cuts made over the past two years with an additional \$975 in responsible spending cuts, for a total of \$2.775 trillion in spending cuts made since the Simpson-Bowles report.



The additional spending cuts in this budget are made across the entire federal budget in a responsible way that continues bringing costs down where appropriate but does not threaten the economic recovery, hurt seniors or families, or harm our national defense.

Bipartisan agreement on deficit reduction goal: \$4 trillion

Our fiscal challenges are well known and the need for a bipartisan solution to responsibly reduce our deficits and debt has been widely recognized. Economists, budget experts, and policymakers have consistently called for a combination of spending cuts and revenue increases that total \$4 trillion over ten years, reducing the deficit responsibly to achieve the critical objective of stabilizing the debt as a share of the economy.

The Goal: \$4 trillion in deficit reduction over the next ten years

In 2010, President Obama established the National Commission on Fiscal Responsibility and Reform. This group, often referred to as "Simpson-Bowles" after its leaders, former Republican Senator Alan Simpson and former Chief of Staff to President Clinton, Democrat Erskine Bowles, included lawmakers from both parties and both chambers of Congress. The Bipartisan Policy Center also convened a group of budget experts in 2010, co-chaired by former Senate Budget Committee Chairman Senator Pete Domenici (R-NM) and former White House Budget Director and Federal Reserve Vice Chair Alice Rivlin, commonly referred to as "Domenici-Rivlin."

Both of these groups recommended approximately \$4 trillion in deficit reduction from a combination of spending cuts and revenue increases carefully designed to put our country on a sustainable fiscal course, while protecting the fragile economic recovery, investing to promote economic growth, and protecting the most vulnerable families and communities.¹⁵⁵

Notably, the report of the Simpson-Bowles Commission points out that this level of deficit reduction is "more than any effort in the nation's history."

For the last two years, calls for deficit reduction have echoed the \$4 trillion goal. President Obama sought \$4 trillion during the 2011 debt ceiling negotiations.¹⁵⁶ And economists who have worked for both Democrats and Republicans have been acknowledging this consensus as well. Mark Zandi, an advisor to Senator John McCain (R-AZ) during his 2008 Presidential campaign, addressed the issue in the Washington Post in July 2011.¹⁵⁷ While Alan Blinder, former Vice Chairman of the Federal Reserve, took to the pages of the Wall Street Journal just last month to express a similar point.¹⁵⁸

What we have done in the last two years: \$2.4 trillion, mostly from spending cuts

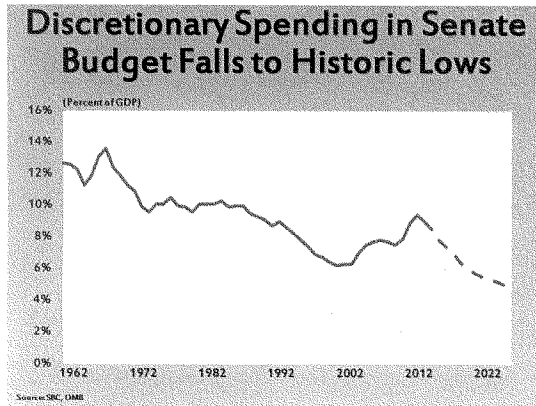
As we continue to work to address our deficits and debt in a responsible manner, it is worth reviewing the progress we have made to date. Over the last two years, Congress worked together with the administration to pass legislation reducing deficits \$2.4 trillion. These first steps took us a significant way toward our deficit reduction goals. It is very important to note, however, that the vast majority of the savings in these new laws come from spending cuts. Only in the end-of-the-year deal did Congress bring in any new revenue by allowing tax rates to rise on the wealthiest Americans.

¹⁵⁵ National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," December 2010; Bipartisan Policy Center, "Restoring America's Future," November 2010.

¹⁵⁶ "Obama Will Still Seek a \$4 trillion Debt Deal Despite GOP Opposition, Aides Say Sunday Morning," Washington Post, 7/10/11.

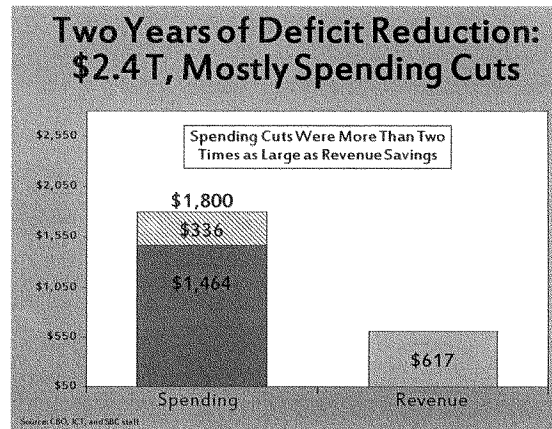
¹⁵⁷ "How To Cut The Deficit -- And What Happens If We Don't," Mark Zandi, Washington Post, 7/14/11.

¹⁵⁸ "A Silver Linings Deficit Playbook," Alan Blinder, Wall Street Journal, 2/24/13.



Bipartisan deals Congress negotiated in 2011 have cut discretionary spending by almost \$1.5 trillion.¹⁵⁹ These savings were achieved in two ways, first through a series of Continuing Resolutions (CRs) that cut spending by about \$550 billion over ten years, and then through enactment of the Budget Control Act (BCA), which established spending caps —saving an additional \$900 billion over ten years. The result of these cuts is that discretionary spending will fall to its lowest level as a share of the economy in over half a century.

Although it should not have taken until the last minute to get done, the bipartisan American Taxpayer Relief Act of 2012 (ATRA) delivered on the promise Democrats made to permanently extend middle class income tax cuts and bring in new revenue from the wealthiest Americans.¹⁶⁰ This year-end deal reduces deficits by more than \$600 billion over the next ten years.¹⁶¹



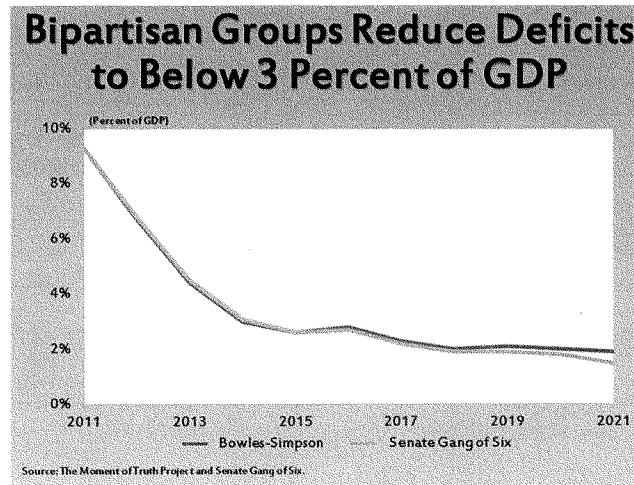
¹⁵⁹ Relative to CBO's August 2010 baseline, which is used because it is the last baseline of record prior to the implementation of a series of legislation that cut discretionary spending. The remaining \$300 billion in deficit reduction from spending cuts reflects savings from lower interest payments.

¹⁶⁰ The ATRA was signed into law by President Obama on January 2, 2013.

¹⁶¹ Relative to a current policy baseline that extends certain expiring tax policies. The President's Fiscal Commission ("Simpson-Bowles"), the Bipartisan Policy Center's Debt Reduction Task Force ("Domenici-Rivlin"), the President, and the House Budget Committee all used versions of a current policy baseline.

Responsible deficit reduction to credibly stabilize the debt as a share of the economy

As we continue to work our way out of the Great Recession, our highest priority should be supporting our fragile recovery and creating jobs. A deficit reduction plan that imposes severe cuts in the near term could lead to further contraction in the economy, which would have immediate and damaging consequences for American families and businesses. We must also be mindful, however, of the burden that excessive debt places on the economy.



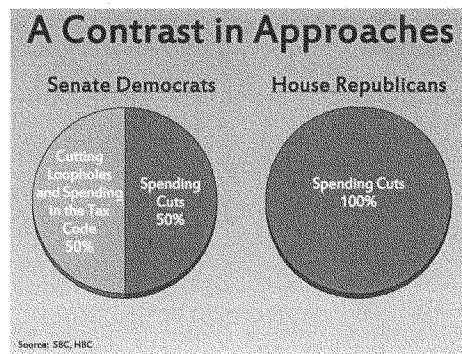
A responsible plan that phases in savings and reduces our deficits to below 3 percent of GDP will stop our debt from growing larger. This is a critical first step that bipartisan groups have consistently agreed should be a primary objective of any credible budget plan.

Reducing the deficit while increasing the fairness and efficiency of the tax code

The Senate Budget takes the position that eliminating loopholes and cutting unfair and inefficient spending in the tax code for the wealthiest Americans and biggest corporations must be a significant element of a balanced and responsible deficit reduction plan. Although every bipartisan group that has examined our fiscal situation has noted that this area of the budget is ripe for savings, time and again, Republicans have refused to put it on the table for deficit reduction.

Therefore, to build on the \$1.8 trillion in recently enacted spending cuts, the \$600 billion in new revenue to be generated by allowing tax rates to rise on the wealthiest Americans in the year-end deal, and the \$975 billion in responsible new spending cuts in this budget – the Senate Budget reduces the deficit by an additional \$975 billion by eliminating loopholes and cutting wasteful spending in the tax code that benefits those who need it the least.

For perspective, these new tax savings represent less than one-tenth of the revenue projected to be lost over the next ten years to so-called “tax expenditures,” the countless special tax breaks embedded in the tax code the benefits of which disproportionately flow to the well-off and well-connected. This fraction gets even smaller if one includes the hundreds of billions of dollars lost each year to the tax gap, offshore tax abuse, and other loopholes.



Prominent Republicans have acknowledged the unfairness of our tax code. During the recent fiscal cliff negotiations, Speaker John Boehner (R-OH) proposed to raise \$800 billion for deficit reduction by closing what he called “special-interest loopholes and deductions.”¹⁶² Even Chairman Ryan has noted, “The tax code is patently unfair: Many of the deductions and preferences in the system ... were lobbied for and are mainly used by a relatively small group of mostly higher-income individuals.”¹⁶³

To help achieve its deficit reduction goals, the Senate Budget includes budget reconciliation instructions, which create a fast-track process that instructs the Senate Finance Committee to report legislation that will reduce the deficit by \$975 billion through changes to the tax code alone. Such legislation must be reported by October 1, 2013 and would not be subject to filibuster in the Senate.

¹⁶² Letter to the President from Speaker Boehner, et. al., [12/3/12](#).

¹⁶³ House Budget Committee, “The Path to Prosperity,” [2012](#).

It is the clear intent of the Senate Budget that the savings found by eliminating loopholes and cutting unfair and inefficient spending in the tax code not increase the tax burden on middle class families or the most vulnerable Americans who already have sacrificed greatly in recent deficit reduction efforts. These savings should come only from the wealthiest Americans and biggest corporations.

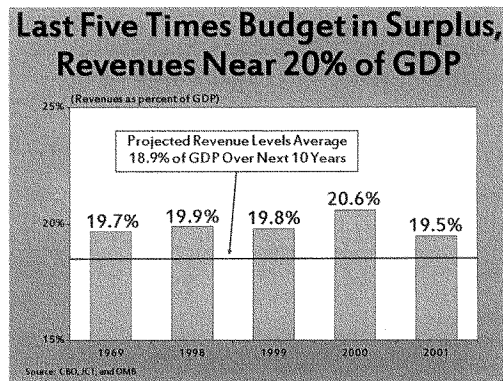
The Senate Budget also fully supports the goal of comprehensive tax reform, whether pursued through the reconciliation process or as a separate effort, if it is done in a way that is consistent with the revenue and progressivity goals of this budget.

Why the revenue discussion is not over

The Senate Budget recognizes that the American Taxpayer Relief Act of 2012 ("ATRA"), which is expected to increase revenues by about \$600 billion over the next ten years by allowing tax rates to rise on the wealthiest Americans, represents a milestone in Democrats' efforts to tackle the deficit and debt with a balanced mix of responsible spending cuts and new revenue from those who can afford it most.

But it also acknowledges that more needs to be done to create a fairer and more efficient tax system that generates the revenue we need to reduce the deficit, while also keeping our promises to an expanding pool of retirees and a new generation of veterans and making the critical investments in our infrastructure and education systems that will drive broad-based and sustainable future economic growth. Very simply, our current tax code, even after ATRA, will not generate the revenue necessary to accomplish these vital objectives.

Since ATRA's enactment, however, Republicans have asserted that the tax discussion is over, and that all future deficit reduction (including the replacement of sequestration) must come only from spending cuts. To support that contention, they point to recent CBO projections showing average revenues as a share of the economy over the next ten years rising slightly above its 40-year average of about 18 percent of GDP.¹⁶⁴ Going forward, Republicans maintain that revenue levels should remain at this historical average.



But this argument ignores several important facts.

First, the projected average revenue level over the next ten years, 18.9 percent of GDP, remains well below the levels experienced the last five times the budget was in surplus. In each of those years, revenues ranged between 19.5 percent and 20.6 percent of GDP.

Second, revenues at 18 percent of GDP would not have been sufficient at any point in recent history, during both Republican and Democratic administrations, to have produced a balanced budget. In fact, spending has not been below 18 percent of GDP since 1966.¹⁶⁵

¹⁶⁴ Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2013 to 2023," 2/5/13.

Finally, the retirement of the Baby Boom generation makes references to past budgetary levels largely irrelevant. Between 2010 and 2050, the ratio of those age 65 and over as a share of the working age population will almost double.¹⁶⁶ So while we must work to preserve, protect, and strengthen our major health and retirement programs, we will also need to raise additional revenue from those who can afford it most if we are going to make good on the promises we have made to current and future retirees. Time and again, the American people have confirmed that keeping these promises is important to them.

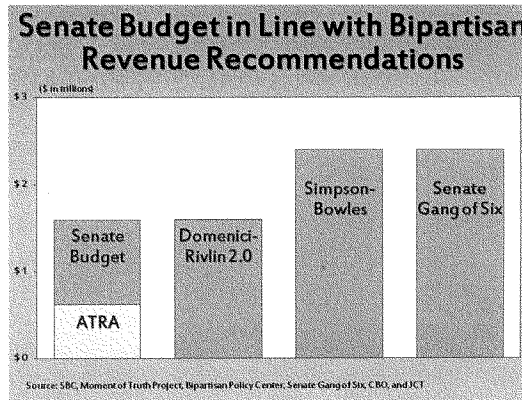
For these reasons, all of the bipartisan groups that have examined our budget situation came to acknowledge this fundamental reality: We cannot responsibly address our fiscal challenges with spending cuts alone.

Both Simpson-Bowles and Senate's Gang of Six proposed more than \$2 trillion in new revenue. The updated plan of the Bipartisan Policy Center's Debt Reduction Task Force arrives at a similar conclusion, recommending about \$1.6 trillion in new revenue. These amounts are several times greater than the roughly \$600 billion that will be generated by ATRA. To claim that additional revenue is off the table is to ignore the conclusions reached by every major bipartisan group with respect to what we must do to reduce deficits and debt in a responsible and sustainable manner.

Despite Republican claims to the contrary, raising additional revenue will not tank the economy, particularly if that revenue is generated in the fair and economically efficient manner proposed by the Senate Budget.

During the 1990s, when revenue levels were significantly higher than they are today, our economy registered 39 consecutive quarters of economic growth, the longest uninterrupted growth streak in U.S. history, and created more than 20 million jobs.¹⁶⁷ The fiscal policies of that era helped to ensure that the benefits of economic growth were felt by the middle class, which in turn demanded more products and services. Businesses responded by increasing their investments in labor and capital, and a virtuous cycle ensued.

The Senate Budget would lay the foundation for another sustained stretch of broad-based economic growth driven by a strong and vibrant middle class. By eliminating loopholes and cutting wasteful



¹⁶⁵ Office of Management and Budget, Historical Tables, Table 1.2, [2012](#).

¹⁶⁶ United Nations, "World Population Prospects: The 2010 Revision," [2010](#).

¹⁶⁷ National Bureau of Economic Research, "US Business Cycle Expansions and Contractions," accessed [3/8/13](#) and "All Employees: Total Nonfarm," U.S. Department of Labor, Bureau of Labor Statistics, accessed [3/8/13](#).

spending in the tax code that benefits those who need it the least, and using the savings to both reduce the deficit and make smart investments in our people and infrastructure, this budget seeks to grow the economy from the middle out and ensure that the benefits of economic growth are again felt by more than just a privileged few.

The revenue principles embraced by the Senate Budget stand in stark contrast to the House Republican tax plan, which rejects any kind of revenue contribution to deficit reduction and, in fact, cuts tax rates on the wealthiest Americans. Even worse, the House Republican approach would slash high-return investments in infrastructure, education, and research while shredding the safety net that support families who fall on hard times—cuts that are all the more harsh given House Republicans' refusal to address our fiscal challenges in a balanced way.

The need for tax reform

The current state of the tax code is simply indefensible. It is unfair, inefficient, and it is hurting the competitive position of U.S. businesses. It has grown unacceptably complex and is riddled with complicated and often overlapping provisions that cost the Treasury more than \$1 trillion annually and which, in many cases, provide disproportionate benefits to individuals and corporations who need them the least.

Our tax code is also hemorrhaging revenue in several areas. The IRS has estimated that the tax gap, the difference between what taxpayers owe and what the IRS collects on a timely basis, was \$450 billion in 2006 alone. Billions of dollars are lost each year to fraudulent refunds paid to identity thieves. Offshore tax abuses cost the Treasury tens of billions of dollars every year. These revenue losses shift an unfair burden onto taxpayers who pay what they owe and who cannot afford to hire high-powered lawyers and accountants to reduce their tax bills by exploiting loopholes.

"Spending in disguise"

"A great deal of government spending is hidden in the federal tax code in the form of deductions, credits, and other preferences – preferences that seem like they let taxpayers keep their own money, but are actually spending in disguise."

-Donald Marron, Member of the Council of Economic Advisers under President George W. Bush¹⁶⁸

Much of the complexity of the tax code can be traced to the proliferation of so-called "tax expenditures," which the Budget Act of 1974 defines as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or deferral of tax liability."

Tax expenditures, in other words, are special tax preferences that, under current fiscal conditions, have the effect of increasing the deficit by reducing the tax liabilities of the individuals and businesses who qualify for them. From an economic and budgetary perspective, the difference between tax expenditures and direct spending programs is substantively meaningless.

In 2013 alone, tax expenditures are estimated to cost the Treasury \$1.3 trillion¹⁶⁹ – more than will be spent this year on Medicare, Medicaid, or Social Security and more than total discretionary spending. Viewed from

¹⁶⁸ National Affairs, "Spending in Disguise," [2011](#).

another perspective, in recent years the government has lost as much revenue to tax expenditures as it has collected from the individual income tax.

However, despite their enormous cost, tax expenditures have historically flown under the radar and have received little scrutiny compared to their counterparts on the spending side of the ledger. As we look to reduce the deficit in a fair way that does not threaten our economic recovery, it would be extremely unwise to follow the House Republican approach of simultaneously slashing investments in infrastructure and education while ignoring these “tax entitlements,” as former Federal Reserve Chairman Alan Greenspan called them, that cost the government more than any single category of spending and which, in general, disproportionately benefit the well-off and well-connected.

Inefficient tax expenditures are a drag on economic growth

Not only do tax expenditures impose a tremendous drain on government resources, in many cases they are also economically inefficient, encouraging capital to flow to projects and uses it might not otherwise be directed to absent a tax incentive, a fact recognized by economists across the political spectrum.

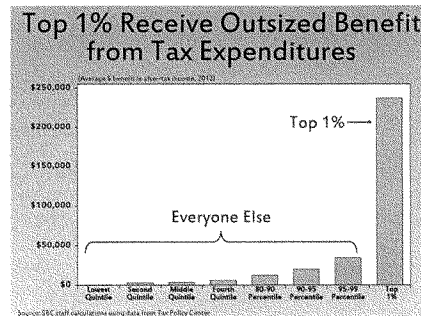
“[Eliminating tax expenditures does not increase marginal tax rates or reduce the reward for saving, investment, or risk taking. It would also increase overall economic efficiency by removing incentives that distort private spending decisions. And eliminating or consolidating the large number of overlapping tax-based subsidies would also greatly simplify tax filing. In short, cutting tax expenditures is not at all like other ways of raising revenue.”

-Martin Feldstein, Chairman of the Council of Economic Advisers under President Reagan¹⁷⁰

Tax expenditures disproportionately benefit the wealthiest Americans

In general, the economic inefficiency of tax expenditures is also due to the unfair distribution of their benefits. In 2012, on average, the top 1 percent of income earners saw their after-tax income increase by nearly \$250,000 as a result of tax expenditures while the middle quintile received an average benefit of only about \$3,500 – making it clear that, in many cases, these tax breaks are poorly targeted and benefit those who need them the least and who are most likely to engage in tax-favored activities or investments even without a subsidy.

The structure of many tax expenditures directly contributes to the skewed distribution of their benefits. Roughly 70 percent of individual tax expenditures are either deductions or exclusions which, by their very nature, deliver larger tax benefits to high-income taxpayers.¹⁷¹ That is



¹⁶⁹ CRFB, “Joint Committee on Taxation Releases Latest Estimates of Tax Expenditures,” [2/1/13](#).

¹⁷⁰ Wall Street Journal, “The ‘Tax Expenditure’ Solution for Our National Debt,” [7/20/10](#).

¹⁷¹ CBPP, “Tax Expenditure Reform: An Essential Ingredient of Needed Deficit Reduction,” [2/27/13](#).

because, unlike tax credits that reduce tax liability on a dollar-for-dollar basis regardless of a taxpayer's income, the value of a deduction or exclusion depends upon an individual's income tax bracket. Any given deduction or exclusion is always worth more to a taxpayer in a higher tax bracket.

Because their benefits disproportionately flow to the most well-off individuals, tax expenditures have also helped to drive the effective tax rates of the wealthiest Americans—the share of income actually paid in taxes after factoring in exclusions, deductions, and other tax preferences—to historically low levels. According to the IRS, the average effective tax rate for the 400 wealthiest taxpayers has fallen from almost 30 percent in 1995 to only 19.9 percent in 2009, less than the rate paid by many middle class families. While over the same time period, the average income for this group has risen exponentially.¹⁷² Clearly, the tax code is contributing to growing U.S. income inequality.

Reducing the deficit by limiting or reforming unfair tax breaks for the wealthy

The Senate Budget calls for deficit reduction of \$975 billion to be achieved by eliminating loopholes and cutting unfair and inefficient spending in the tax code for the wealthiest Americans and biggest corporations. It recognizes that the Finance Committee, which has jurisdiction over tax legislation, could generate this additional revenue through a variety of different methods.

One potential approach is an across-the-board limit on tax expenditures claimed by high-income taxpayers (specifically, the top two percent of income earners). This could take the form of a limit on the rate at which itemized deductions and certain other tax preferences can reduce one's tax liability, a limit on the value of tax preferences based on a certain percentage of a taxpayer's income, or a specific dollar cap on the amount of allowable deductions. In assessing any such across-the-board limit, Congress should consider the extent to which each proposal would retain a marginal tax incentive to engage in the affected activities and investments.

Another potential approach by which Congress could increase tax fairness and reduce the deficit is by reforming the structure of particular tax expenditures. The Simpson-Bowles illustrative tax reform plan, for example, proposed to convert certain itemized deductions into limited tax credits, which more equitably deliver tax benefits and, because only about one-third of taxpayers itemize their deductions, are often better for targeting tax incentives at low-income and middle class families. Reforms like these could also generate substantial new revenue for deficit reduction.

Reducing the deficit by eliminating wasteful business tax loopholes

As we work to responsibly cut spending, Congress must also address the many unfair and wasteful business tax breaks that reduce the efficiency of our tax system and deprive the government of revenue. How can it be, when both are measured as a share of the economy, that after-tax corporate profits are at an all-time high but corporate tax revenues remain near an all-time low?¹⁷³

Much of the answer lies in the proliferation of special-interest tax breaks and the rise of aggressive offshore tax planning. The particular industry in which a U.S. company operates, or whether it has subsidiaries abroad, now has an enormous influence on the extent to which it pays U.S. tax. In some cases, profitable companies are able to avoid paying any income tax at all. In fact, a 2008 study by the

¹⁷² Internal Revenue Service, [2012](#).

¹⁷³ "Corporate Profits Soar as Executives Attack Obama Policy," Bloomberg, [1/17/13](#); Office of Management and Budget, Historical Tables, Table 2.3, [2012](#).

Government Accountability Office (GAO) found that more than half of all large corporations reported no tax liability in at least one year between 1998 and 2005.¹⁷⁴ Recent reports indicate that this trend is continuing.¹⁷⁵

We simply cannot afford to continue the practice of giving billions of dollars in wasteful tax incentives to companies reporting record-breaking profits. Other unfair tax breaks—such as the special depreciation rules enjoyed by corporate jet owners and the favorable tax rates applicable to hedge fund managers' compensation—should be eliminated if we are going to restore fairness to our tax code and reduce the deficit in a balanced way.

Offshore tax abuse – which reduces U.S. tax collections by tens of billions of dollars each year -- also should be addressed. Some U.S. multinational corporations are avoiding U.S. tax through a variety of aggressive international tax planning techniques, such as shifting profit-generating assets offshore through abusive transfer pricing transactions or manipulating the source of dividend payments from foreign subsidiaries to avoid levies on tax haven income. In other cases, companies that are managed and controlled right here in the U.S. avoid tax by incorporating in a tax haven – as evidenced by the 18,000 companies that claim to do business in a single building in the Cayman Islands.¹⁷⁶

The sheer magnitude of the revenues lost to offshore tax abuse, wasteful and inefficient loopholes, and other business tax breaks raises the possibility of a sweeping reform of the corporate tax code that helps to reduce the deficit, improve the overall fairness of our tax system, and potentially generate additional revenue to lower corporate tax rates.

Tax reform principles in the Senate Budget

The Senate Budget fully supports the goal of comprehensive tax reform—whether pursued through the reconciliation process or as a separate effort—that simplifies the tax code, increases fairness, generates economic growth, and improves the competitive position of U.S. businesses. While this budget recognizes that there are multiple approaches to tax reform and that the ultimate policy decisions will be made by the tax-writing committees in the Senate and House, it calls for tax reform to adhere to the following key principles:

Restore fairness to the tax code

- Tax reform should ensure that the tax code remains at least as progressive as it would be following the passage of this budget and implementation of its reconciliation instructions. To help achieve this progressivity goal, the Senate Budget assumes that the 2009 enhancements to various tax credits which benefit low-income and middle class families are permanently extended beyond their scheduled expiration after 2017.
- To the extent not achieved through reconciliation, tax reform should eliminate or modify tax breaks that disproportionately benefit the wealthiest Americans, aggressively address the tax gap and offshore tax abuse, and eliminate unfair and inefficient business tax loopholes.

¹⁷⁴ Government Accountability Office, "Comparison of the Reported Tax Liabilities of Foreign- and U.S.-controlled Corporations, 1998-2005," 2008.

¹⁷⁵ Citizens for Tax Justice, "Big No Tax Corps Just Keep on Dodging," 4/9/12.

¹⁷⁶ The Economist, "The good, the bad and the Uglad," 2/16/13.

Boost economic growth and job creation

- Tax reform should increase the certainty of our tax system and simplify the tax code to make it easier for individuals and businesses to comply.
- Business income taxes should be reformed to help U.S. enterprises compete in the global marketplace and to ensure that America remains the best place to start a business and create jobs.
- Responsible reductions in tax rates could be achieved, but only if the Senate Budget's revenue and progressivity goals are achieved or maintained.

The tax reform principles, and complementary budget reconciliation instructions, embraced by the Senate Budget provide a stark contrast to the House Republican plan, which protects the wealthiest Americans and biggest corporations from paying even a penny more in taxes. The Senate Budget rejects this approach, and instead assumes a well-designed fiscal reform effort that creates a fairer and more efficient tax system and that generates the revenue we need to reduce the deficit and make the critical investments that will drive broad-based and sustainable economic growth.

Additional responsible savings across the federal budget

Putting our deficit and debt on a fiscally sustainable course is essential to our long-term economic strength and will require savings across the entire federal budget, in addition to the savings made through changes to the tax code, as part of a balanced plan. These savings, however, must be responsible. They should help put our deficit and debt on a downward path without making shortsighted and drastic reductions to investments in our future and without unfairly burdening seniors, middle class families, or the most vulnerable Americans.

Over the past two years, Republicans and Democrats have made \$1.8 trillion in spending cuts. These cuts have driven spending on non-defense discretionary programs to the lowest levels as a share of the economy in decades. This budget builds on spending cuts made over the past two years with an additional \$975 in responsible savings, for a total of \$2.775 trillion in new savings since the Simpson-Bowles Commission report.

- Rather than shifting the burden of costs onto states, seniors and the most vulnerable, this budget builds on the responsible changes made in the Affordable Care Act with \$275 billion in new health care savings, which will strengthen and preserve Medicare and Medicaid for current and future beneficiaries and protect the expansion of health insurance coverage to nearly 30 million Americans.
- As the drawdown from Afghanistan is completed, the budget puts forward targeted reductions in defense spending that maintains our global military superiority in the 21st century.
- Finally, the Senate Budget makes changes across the federal budget to cut spending where we can, eliminate waste, find opportunities for savings through greater efficiency, and put in place appropriate cost alignment for specific government services.

The responsible savings in this budget required tough decisions, but they reflect the principle that our first priority should be expanding job creation and broad-based prosperity built from the middle out, rather than making economically irresponsible choices that unfairly burden the middle class and shred the safety net.

Reducing health care costs responsibly while preserving and protecting programs for seniors and families

Nothing is more important to families across the country than their health and the health of the ones they love. Health care is personal; individuals value the care they receive, want the programs they count on preserved and protected, and are looking to their elected officials to protect them from runaway costs and insurance company abuses.

The Senate Budget takes the position that the most important part of the health care system is the patient, and any responsible reforms we make must be fair for them and their families. The bottom line in a budget is important, and we absolutely need to tackle our budget in a way that makes fiscal sense—but the true bottom line for this budget is how changes would impact seniors and families across the country.

That is why, first and foremost, the Senate Budget rejects the approach taken by House Republicans when it comes to cuts to health care.

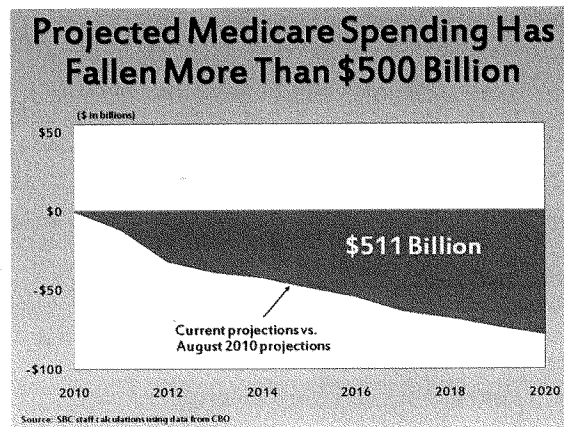
The Republican approach would dismantle Medicare. And in the place of the promise we have made to cover their care through a system that they paid into and strongly support, the Republican plan would privatize Medicare by simply handing beneficiaries vouchers that are capped at growth levels below projected health care costs.

This is not reform, it is shifting costs and shifting risks—and it is absolutely unacceptable to us and the vast majority of Americans. Further, the House Republican approach makes draconian cuts to Medicaid that would leave states with inadequate funding and reduce health care coverage.

In their proposals to repeal the Affordable Care Act (ACA), House Republicans also attempt to undermine efforts to reduce the cost of health care services and improve private health insurance markets by making policies more affordable for families and small business owners.

By contrast, the Senate Budget builds on the critical health care delivery system reforms included in the ACA. It includes \$275 billion in savings by further realigning incentives throughout the system, cutting waste and fraud, and seeking greater engagement across the health care system.

The savings in this budget come on top of the \$500 billion in lower Medicare spending CBO now expects through 2020 compared to their estimates in 2010, following the passage of the health reform law that is working to bring down costs.¹⁷⁷



The Senate Budget ensures that the federal government does not spend less by simply shifting Medicaid costs to states, making cuts that harm beneficiaries, or reducing health care coverage. This approach is fair for seniors and families and will preserve and protect these important programs. Importantly, this savings is relative to the most recent projections for future health care spending. Those projections have come down dramatically over the last several years as health care costs have grown more slowly than previously anticipated.

¹⁷⁷ Center on Budget and Policy Priorities, [02/19/2013](#); USA Today, "Health Care Spending is Transferred out of ICU," [03/04/13](#).

The challenge: rising health care costs

Despite the good news about the slowdown in health care spending over the past few years, a longer-term challenge remains. However, the challenge of rising costs is not unique to federal health programs. Rather, all participants in the broader health care system, including states, businesses, and families, will be increasingly impacted by the tradeoffs forced as these expenses overwhelm investments in other priorities. So, while addressing rising health care costs over the longer term is critical to putting the federal budget on a sustainable path, it is also vital to making sure families and communities have the resources necessary to participate in and grow the economy for generations to come.

Congress and the administration took critical steps toward improving our health care system by enacting the ACA, a comprehensive health care reform law, in 2010. Through the creation of state-based private health insurance marketplaces and expanded eligibility for Medicaid, the ACA provides pathways for nearly 30 million Americans to obtain health insurance coverage over the next ten years, reducing the number of uninsured substantially.

Recognizing that responsibly containing costs is just as important as expanding coverage, the ACA also put in place reforms to the delivery of health care services that increase quality, encourage efficiency and transparency, and improve care coordination—key mechanisms to address rising health care spending. The CBO estimated that the law will not only reduce the deficit in the first decade, but will result in savings in the subsequent decade of more than \$1 trillion.¹⁷⁸

In thinking about changes to our health care system, it is most responsible to reward health care providers who produce better health outcomes rather than simply paying more for performing more procedures.

Prior to the ACA, there was little incentive to coordinate care, and payment schedules gave too little recognition of higher quality and value. In response, the health reform law facilitates better integration across providers by encouraging the creation of accountable care organizations. Already, more than 250 organizations are participating in them, serving about 4 million Medicare beneficiaries.¹⁷⁹ In addition, demonstration projects experimenting with alternative payment systems will provide insight into the types of payment models that best align incentives to achieve better outcomes. Further, other efforts to reduce adverse drug events, improve care and outcomes for chronic conditions, and address disparities in health among different populations are also underway.¹⁸⁰

Going forward, we must continue to vigorously encourage delivery system reforms that improve quality and reduce costs for taxpayers and patients. It only makes sense to aggressively expand practices when the evidence says they are working. Such practices might include introducing bundled payments more broadly or other pay for performance programs, such as hospital readmissions and value based purchasing, and reevaluating whether current payment policies continue to appropriately reflect the services provided and outcomes achieved.

Part of our delivery system reform efforts should be about doing a better job capturing waste in the health care system. The Institutes of Medicine estimates that nearly one-third of health care expenditures

¹⁷⁸ Douglas W. Elmendorf, Testimony before the U.S. House, Committee on Energy and Commerce, Subcommittee on Health, [3/30/11](#).

¹⁷⁹ Centers for Medicare & Medicaid Services, "Lower Costs, Better Care: Reforming our Health Care Delivery System," [2/28/13](#).

¹⁸⁰ Centers for Medicare & Medicaid Services, "Lower Costs, Better Care: Reforming our Health Care Delivery System," [2/28/13](#).

do absolutely nothing to improve health.¹⁸¹ In large part, this is due to outdated models for delivering care. The ACA took important steps in creating a new Innovation Center at the Centers for Medicare and Medicaid Services to rapidly test and evaluate new methods of delivering high quality and value through federal health programs. It is critical that we work to translate what we learn from these models into broader system-wide reforms.

And while reducing waste is one part of making sure every dollar spent on health care goes toward improving health, addressing fraud is also important. The ACA took unprecedented steps to prevent, detect, and recapture fraudulent payments. As a result, recoveries in Medicare, Medicaid and the Children's Health Insurance Program over the past four years are more than double the preceding four years, at about \$15 billion, and for every dollar invested, these efforts result in \$7.90 in savings.¹⁸² But there is still more we can do.

Encouraging greater engagement across the health care system will also help reduce the growth in health care costs. One productive step in this direction would be to remove the uncertainty about what the future holds. We must move away from the threat of deep cuts to physician payments, only to delay such cuts on a short-term basis. By enacting a permanent fix to the physician Sustainable Growth Rate (SGR), we can ensure that Medicare beneficiaries will continue to have access to quality care. And by replacing the across-the-board cuts to Medicare that are required under sequestration, we can instead have a thoughtful conversation about how to contain costs and where to find savings, while improving our health care system. As part of this effort, the Senate Budget assumes the costs of a permanent fix to the SGR and replaces the Medicare sequestration cuts.

The Senate Budget continues working to tackle these challenges responsibly

As we look to the next decade, we must ensure that we are on a trajectory where growth in health care costs no longer overwhelms growth in the economy, state revenues, and the budgets of businesses and households. This objective was an important element of the ACA, which is estimated to reduce the deficit over the next several years and beyond.

The Senate Budget tackles this challenge responsibly in a way that is fair for seniors and families by building on the work done in the ACA and supporting continued responsible changes to cut waste, reduce fraud, and deliver health care more efficiently.

Reducing defense spending responsibly

Our men and women in uniform and their families have done everything we have asked of them and more over the past decade of war. From our leaders at the Pentagon, to our servicemembers stationed at outposts throughout the world, time and again the people of this country have been awed by their leadership and the sacrifices they have made to serve our nation.

This budget recognizes that in order to keep our commitment to these servicemembers, to safeguard our national security, and to continue our position as a beacon of freedom abroad, we need to maintain a strong national defense. It also recognizes that our military is going through a historic period of transition after ending the war in Iraq and as we wind down the war in Afghanistan. It is inevitable that the Pentagon will be looking at ways to right-size our military while smartly preparing for future threats in a

¹⁸¹ "Study of U.S. Health Care System Finds Both Waste and Opportunity to Improve," New York Times, [9/11/12](#).

¹⁸² Centers for Medicare & Medicaid Services, "Lower Costs, Better Care: Reforming our Health Care Delivery System," [2/28/13](#).

world in which there are many ongoing conflicts. Finally, this budget makes absolutely clear that across-the-board, indiscriminate cuts are not the way to responsibly cut defense at a time when we are continually striving to protect jobs and promote economic growth.

As part of a balanced and fair plan to address the nation's fiscal challenges that includes replacing sequestration, this budget makes responsible reductions to defense spending by slowing the rate of budget growth gradually and evenly to help defense leaders effectively manage the Department of Defense, while giving agencies a two-year period to prepare.

Our defense leaders have repeatedly stressed how difficult it is to manage our military readiness in this very uncertain environment.¹⁸³ This budget addresses those concerns by providing long-term predictability. Growth in defense spending will gradually be reduced beginning in 2015 and will achieve savings of \$240 billion over the next ten years.

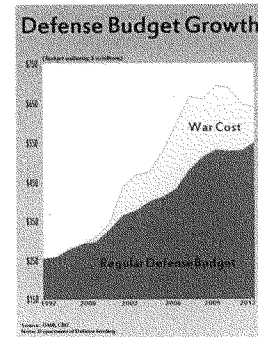
This budget reflects that the world remains a complex and dangerous place. Provocations and nuclear ambitions by both Iran and North Korea create serious threats to international peace and stability. The U.S. and our allies are continuing to wind down the war in Afghanistan and transition responsibility to the Afghan government in a way that provides the most stability and security to avoid backsliding on the progress made over the last decade. Additionally, non-state actors, including terrorist organizations, continue to threaten U.S. interests both abroad and at home. These are only a select few of the myriad threats and actors we must navigate in order to provide security for American citizens and interests.

However, there are other significant threats to national security. The deep and indiscriminate cuts under sequestration will have devastating impacts on our ability to defend the nation and our interests and values abroad.

This budget recognizes and addresses the serious fiscal danger we face while still providing a robust and capable national defense apparatus that enables us to meet today's international security threats and be prepared for those of the future. The budget challenges that threaten our national defense are the same as those that threaten a wide range of key programs that American families depend on, and they can only be addressed as a whole.

This means that all areas of government spending and revenues, including defense spending, should be adjusted in a balanced way to achieve a fair and effective solution. Former Secretary of Defense Leon Panetta recently called on Congress to "pass a balanced deficit reduction plan, de-trigger sequester, and pass the appropriations bills for [Fiscal Year] 2013."¹⁸⁴ This budget calls on the DOD to do its part, while avoiding the indiscriminate cuts from sequestration in keeping with the strenuous warnings of our military leaders.

Instead, this budget adjusts our spending to reflect a 21st century strategy that maintains our military as the greatest in the world. A recent report from the Center for a New American Security (CNAS) accurately states: "we disagree with those who argue that preserving American military pre-eminence requires



¹⁸³ See for example: Secretary of Defense Leon Panetta, "Remarks by Secretary Panetta at Georgetown University, Washington, D.C.," [2/6/2013](#).

¹⁸⁴ "Press Briefing by Leon Panetta from the Pentagon," Secretary Leon E. Panetta, U.S. Department of Defense, [1/10/13](#).

maintaining or increasing current levels of defense spending.”¹⁸⁵ In fact, defense spending has grown substantially since 2001, not only in war-related funding, but also in the base budget.

In setting defense funding levels it is also important to remember that dollars do not equal effectiveness. It is now necessary and appropriate to adjust spending to reflect the end of the wars in Iraq and Afghanistan, the transition to a new National Security Strategy, and fiscal realities.¹⁸⁶ In fact, reductions in the growth of defense spending are an unavoidable and integral part of any balanced, effective budget plan. Recent bipartisan fiscal proposals have acknowledged this point. These include the Simpson-Bowles plan, which in Fiscal Year 2014 would be \$21.3 billion lower than the Senate Budget, and the Domenici-Rivlin plan, which would cut \$99 billion in defense spending in Fiscal Year 2014.¹⁸⁷

Appropriately, this budget sets overall limits in which the Appropriations Committee and the Committees of jurisdiction can make specific allocations in order to balance the funding of defense accounts with the future needs that our military leaders are predicting. Several policy principles should guide these efforts:

- *Upholding our sacred obligations* – We will prioritize providing for our troops, including the tools, training, and services they need to accomplish the demanding tasks before them. This includes keeping them safe by finally ending the epidemic of military sexual assault, and by providing timely access to high-quality care for the invisible wounds of war. At a time when active-duty military suicides continue to outpace combat deaths, ongoing efforts to ensure the reliability of mental health diagnoses must be completed, and legislative and policy changes must be implemented quickly to improve mental health care for our servicemembers.¹⁸⁸ We will also keep faith with our military families by providing the care and supportive services they need, especially during deployments.

DOD, VA, and other agencies have made progress in reforming the transition process. However, moving from military to civilian life remains a significant challenge for servicemembers. After more than a decade of war, it is time to achieve a truly seamless transition that includes speedy claims processing, coordinated mental and physical health care, and employment and education opportunities.

- *Maintaining global leadership* – America is the greatest force for good in the world. Continued global leadership will ensure not just security for ourselves and our allies, but will provide for stability in the international system in a way that promotes commerce, development, and human rights. Finally, being a leader has never meant simply doing everything alone. We must support our allies and empower them to act in protecting these shared goals.
- *Providing for national defense* – Providing a robust, capable, and efficient force that is able to protect the nation, our allies, and our interests abroad is paramount. All forces must have the proper size and capabilities to execute the new national defense strategy, including the new focus on the Asia-Pacific region. This cannot be accomplished without preserving our ability to project force around the globe, including with a strong Navy and Marine Corps ready and equipped to respond quickly to any contingency. It also means being prepared for the realistic threats of the

¹⁸⁵ LTG David Barno, et al. “Sustainable Pre-eminence: Reforming the U.S. Military at a Time of Strategic Change,” 5/23/12.

¹⁸⁶ President Barack Obama, “National Security Strategy,” May 2010.

¹⁸⁷ The Debt Reduction Task Force, “Restoring America’s Future,” November 2010. National Commission on Fiscal Responsibility and Reform, “The Moment of Truth,” December 2010.

¹⁸⁸ “Suicides Outpacing War Deaths for Troops,” The New York Times, 6/8/12.

21st century, but not discounting the full range of possibilities. Therefore, to the maximum extent possible, we should be prepared to regenerate capabilities quickly when needed, and prioritize readiness and the ability for rapid response to events around the world.

- *Good governance* – Tenets of effective management must be adhered to if we are to be good stewards of taxpayer dollars. This is even more critical in these difficult budget times. There is no place for waste, fraud, and abuse in DOD spending while the Department is working to meet a range of new challenges, from reduced resources to a new global strategy. Continuing to reform the acquisition process will be critical to this effort, and procurement and development programs must be held to performance standards with accountability enforced. Good governance also means reducing duplication and redundancy and ensuring that different efforts do not work at cross purposes. This applies both between the services, as well as between departments that need to collaborate better.
- *Environmental management* – An important part of protecting our environment is cleaning up our nation's nuclear waste legacy. The Manhattan Project helped us win World War II and the Cold War, and many communities across our country sacrificed greatly to do so. The federal government has a moral and legal obligation to safely clean up the waste left behind by this effort.

In 1989, the cleanup mission moved to the Department of Energy, where it is housed in the Environmental Management program and is comprised of 107 sites across the country. This effort is the largest environmental cleanup program in the world, and DOE's legacy includes some of the world's most radioactive places, which are home to spent nuclear fuel and contaminated facilities. The environmental effects have spread to the surrounding soil and groundwater, which must be remediated.

At each site, the federal government must meet legal milestones for cleanup of nuclear waste. The Senate Budget calls attention to these legal obligations, and within reduced defense spending, puts priority on this effort which is so critical to our economic, environmental, and public health interests.

Overseas Contingency Operations (OCO)

In keeping with the President's announced strategy to end the war in Afghanistan by the end of 2014, this budget provides the necessary resources to achieve that goal. For 2013 it would provide the requested amount of nearly \$100 billion. Following the announced withdrawal of 34,000 troops by the end of this year and the withdrawal of the remainder (except for a smaller residual force), the budget provides \$50 billion for 2014, and \$25 billion in 2015.¹⁸⁹ Reserve funding is available for OCO needs after 2015, to meet the needs of the President's strategy. The fund is also available to ensure fiscal responsibility with respect to unforeseen or ongoing OCO costs. Any additional funding would need to be appropriately offset.

Meeting Our Global Commitments

Any forward-looking national security strategy that will succeed in the 21st century must include robust involvement from the State Department and utilize all the tools of statecraft to achieve our national security goals. Effective diplomacy and development help promote stability and generate goodwill

¹⁸⁹ President Barack Obama, "State of the Union Address," 2/12/2013.

toward the U.S., ideally preventing a future need for the use of force. Indeed, Marine Corps General James Mattis, the current commander of U.S. Central Command, observed, "If you do not fund the State Department fully, then I need to buy more ammunition, ultimately...the more that we put into the State Department's diplomacy, hopefully the less we have to put in to a military budget as we deal with the outcome of an apparent American withdrawal from the international scene."¹⁹⁰

Effective diplomacy deepens and strengthens our alliances around the globe. It also recognizes the dynamics and characteristics of the modern international environment and seeks to address and engage with the range of non-state actors to continue advancing U.S. interests. Ultimately, promoting U.S. legitimacy and furthering the nation's grand narrative as a force for peace and freedom cannot be accomplished without sophisticated diplomatic and development components.

We ask our diplomatic personnel, like our men and women in uniform, to go into dangerous places around the world in order to advance our interests and values, maintain alliances, and promote stability. We therefore must ensure that we provide sufficient resources to defend our personnel and missions around the world. This includes expanding the Marine Security Guard program, which protects some embassies, and providing additional resources for the personnel and infrastructure to provide safety to U.S. assets in high-risk regions.

It is our moral responsibility to promote human rights abroad. This means cracking down on human trafficking, standing up for women's rights, and more. We have also committed to working toward the difficult but important goals of fighting hunger, extreme poverty, and diseases, including AIDS.

Policy priorities that should inform allocation of these funds include:

- Human rights – Activities to promote human rights are an important priority as they help to stabilize troubled areas and lessen the need for military intervention. In particular, combatting human trafficking, promoting the rights of women and children, and protecting programs that combat hunger in impoverished areas have been especially critical.
- Safety – Following the attacks on U.S. personnel in Benghazi, Libya, there was intense scrutiny of the security provided to diplomatic personnel and missions abroad. There has been focus on the need to expand the Marine Security Guard program, which defends some U.S. embassies, and on appropriately placing resources to counter threats, especially in high-risk areas.¹⁹¹ Sequestration's indiscriminate cuts would strip \$79 million from the State Department's Embassy Security, Construction, and Maintenance fund.¹⁹² The Senate Budget, after replacing the cuts from sequestration, would offer the flexibility to appropriate enough funds to protect this critical account.
- Strong alliances and cooperation – Continuing to deepen ties with key allies and forge new partnerships promotes stability and creates the framework for an American grand strategy for the future. Foreign military financing, development support, cultural and educational exchanges, and economic assistance are all key tools in advancing U.S. foreign policy goals. International organizations, non-governmental organization, and private philanthropy also play key roles in

¹⁹⁰ General James Mattis, Testimony before the U.S. Senate, Committee on Armed Services, 3/7/13.

¹⁹¹ Secretary of State Hillary Clinton, Testimony before the U.S. Senate, Committee on Foreign Relations, 1/23/13.

¹⁹² Office of Management and Budget, "OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013," 3/1/13.

achieving these objectives. As one example, sequestration would slash \$704 million from the International Security Assistance function, which funds key programs that our closest allies, like Israel, rely heavily on.¹⁹³ By replacing sequestration under the Senate Budget, we can appropriate properly in order to keep our promises to our international partners.

- Global health research and innovation – U.S. investments in technology have made enormous contributions to the fight against poverty and disease around the world. Initiatives on critical global health problems like maternal and child health, malaria, nutrition, family planning, and reproductive health have made a difference around the globe.

Responsible spending cuts across the federal budget

Despite the fact that the vast majority of deficit reduction over the past two years was done through spending cuts alone, the Senate Budget continues to find ways to reduce spending across the federal budget in a balanced and responsible way.

The Senate Budget includes a total of \$975 billion in new spending cuts across the federal budget.

In addition to the responsible savings found in health care and defense programs described above, this budget:

- Locks in the bipartisan domestic spending caps agreed upon in the Budget Control Act;
- Calls for specific common-sense reforms;
- And lays out guidance for committees to hit specific spending cut targets.

While all Americans will share in some of the sacrifices required to achieve responsible deficit reduction, this budget calls for spending cuts targeted to protect middle class families, seniors and the most vulnerable from shouldering an unfair burden and to avoid impacting our economic recovery and long-term economic strength.

Savings in domestic spending through maintaining the Budget Control Act caps

This budget replaces the deep and harmful cuts to domestic spending programs that would have resulted from sequestration, but it continues to employ the bipartisan tool of spending caps agreed upon in the Budget Control Act for a total savings of \$142 billion over ten years in this narrow slice of the federal government.

This balanced approach to this category of spending is in sharp contrast to the House Republican approach, which uses a challenging fiscal situation as an excuse to decimate domestic spending and break the bipartisan deal we made to set defense and non-defense spending levels in the Budget Control Act.

House Republican proposals have assumed that overall discretionary funding would fall to post-sequestration levels, but have directed that all of the cuts be applied to nondefense discretionary funding – more than doubling the cuts that sequestration would require.

In addition to the spending caps that lock in discretionary spending savings, the Senate Budget also offers some illustrative examples for committees to use to meet the spending-cut targets.

¹⁹³ Office of Management and Budget, "OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013," 3/1/13.

Reforming agriculture programs

Our country's farmers and ranchers are critical to our economy, environment, and food supply. The Senate Budget assumes \$23 billion in savings can be found from reforming agriculture programs. Our budget supports the efforts of the Senate Agriculture Committee to write a new Farm Bill that will make significant reforms to farm programs, while refocusing support on helping farmers throughout the country manage risk.

Federal employee and contractor reform

Federal workers play a key role in running a smart and efficient government. These workers have borne the brunt of recent deficit reduction efforts, with years of pay freezes and many workers facing furloughs in the coming months caused by the indiscriminate and untargeted sequestration cuts.

Last year's House Republican budget would further harm these workers by significantly increasing their contributions to the Federal Employee Retirement System, effectively cutting their take-home pay in every paycheck.

The Senate Budget supports a smarter approach to savings through federal employee and contractor reforms that will explore opportunities to better leverage the federal government's buying power and to review contractor compensation. The President's budget and bipartisan deficit reduction proposals have recommended reforms, which will save the taxpayers money, provide greater compensation parity between federal personnel and government contractors while encouraging the retention of an experienced, high-quality federal workforce.

Eliminating waste and finding common-sense savings

Americans want a more efficient and effective federal government. They also favor more federal investment in important priorities such as improving education, reducing poverty and providing affordable health care.¹⁹⁴

The Senate Budget identifies opportunities for savings by eliminating waste, selling excess properties, and reducing improper federal payments to make the government more efficient and effective.

For example, the federal government owns about 14,000 excess properties that need to be sold.¹⁹⁵ The Senate Budget supports efforts to reform the management of real property to dispose of unneeded properties, reduce the red tape holding up these sales and to co-locate government agencies to generate savings.

In testimony to the Budget Committee, U.S. Comptroller General Gene Dodaro, raised concerns about the cost of excess properties, stating, "Excess and underutilized properties present significant potential risks to federal agencies because they are costly to maintain. For example, in Fiscal Year 2009, agencies reported underutilized buildings accounted for over \$1.6 billion in annual operating costs."¹⁹⁶

¹⁹⁴ Center for American Progress, "Better Not Smaller," [July 2010](#).

¹⁹⁵ White House, "Excess Properties Interactive Map," [October 2011](#).

¹⁹⁶ Gene Dodaro, Testimony before the U.S. Senate Committee on the Budget, [3/16/11](#).

Another target for common-sense savings is the reduction of improper payments. The federal government makes over a billion payments each year and Congress and the administration have made progress in reducing the number of erroneous or fraudulent payments across the government. Over the past three years, agencies have avoided more than \$47 billion in improper payments and decreased the payment error rate to 4.3 percent.¹⁹⁷ The Senate Budget supports strengthening efforts to reduce improper payments for deficit reduction.

The Senate Budget also supports programmatic reductions to reorganize or consolidate programs with similar missions or functions. Each authorizing committee should review the programs within their jurisdiction to identify duplicative or overlapping efforts, and examine how these programs could be delivered in a more efficient way or reduce administrative costs. The reviews conducted by the authorizing committees should be based on impact evaluations and use performance-based reviews to inform decision-making.

Committees should also work together, where appropriate, to coordinate overlapping efforts. The Senate Budget also encourages committees to also review the "Cuts, Consolidations and Savings" volume of the President's budget to identify other savings opportunities.

GAO's annual report on "Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings and Enhance Revenue," has identified hundreds of recommendations for reducing program fragmentation that could improve results.¹⁹⁸ In 2012, GAO reported that only five percent of the recommendations had been addressed.¹⁹⁹ The Senate Budget encourages all committees to review the GAO findings to identify efficiencies.

¹⁹⁷ "Eliminating Billions in Payment Errors," Danny Werfel, OMBlog, [11/21/12](#).

¹⁹⁸ Government Accountability Office, "2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," [February 2012](#).

¹⁹⁹ Government Accountability Office, "Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap and Fragmentation, Save Tax Dollars, and Enhance Revenue," [February 2012](#).

**Keeping the promises made to our seniors, families, and
communities**

The Senate Budget takes the position that the promises we made to our seniors, families, and communities ought to be kept. To do so, this budget takes significant steps to preserve and protect programs and services for seniors and families, the most vulnerable Americans, and those who have served our nation in the armed forces:

- Unlike the House Republican plan that the American people have rejected, the Senate Budget does not dismantle or privatize by voucherizing Medicare. It includes new health care savings to strengthen the program—without harming beneficiaries.
- This budget protects investments made in the Affordable Care Act to expand coverage and reduce the costs of care for families and small business owners.
- The Senate Budget ensures that Medicaid continues fulfilling its mission as a safety net for the most vulnerable, including: low-income children, seniors, mothers-to-be and those with disabilities. It maintains the federal government's commitment to be a strong partner, and does not shift any costs to states.
- The Senate Budget recognizes that government cannot and should not solve every problem but, like bipartisan proposals from Simpson-Bowles and Domenici-Rivlin, this budget reflects the principle that the most vulnerable should not be asked to bear the burden of deficit reduction.
- And of course, the Senate Budget continues to invest in keeping America strong and secure, and it keeps the promises our nation has made to our veterans who served our nation that their country will be there for them and provide the resources and support they need when they come home.

While past House Republican budgets take an extreme approach that would be devastating for seniors who have done their fair share and families who have fallen on hard times, the Senate Budget offers a balanced approach to deficit reduction that keeps our promises to seniors and protects the most vulnerable from shouldering the burden of cuts alone.

Keeping the health care promises made to seniors and families

Preserving and protecting Medicare for seniors today and in the future

"No longer will older Americans be denied the healing miracle of modern medicine. No longer will illness crush and destroy the savings that they have so carefully put away over a lifetime so that they might enjoy dignity in their later years. No longer will young families see their own incomes, and their own hopes, eaten away simply because they are carrying out their deep moral obligations to their parents, and to their uncles, and their aunts.

"And no longer will this Nation refuse the hand of justice to those who have given a lifetime of service and wisdom and labor to the progress of this progressive country."

-President Lyndon Johnson, July 30, 1965

Medicare plays a vital role in providing health care coverage to more than 50 million seniors and people with disabilities. As President Johnson stated at the signing of the legislation creating the program nearly 50 years ago, it is one important way we fulfill our responsibility to care for those who have contributed so much to our country. And the program has been a success.

Today, seniors are living longer, more fulfilling lives. Access to health care not only prolongs, but improves their quality of life—and seniors have been very clear that they like Medicare and strongly support smart changes that need to be made to improve and strengthen it.

It is therefore the position of the Senate Budget that we need to preserve, protect, and improve the Medicare program—not dismantle it.

In sharp contrast, House Republican proposals, including last year's Republican budget, would replace the program's guarantee of affordable health care coverage with a voucher to purchase insurance. This voucher payment would be capped to limit the increase in its value below projected growth in health care costs; this could reduce future spending by the federal government per senior by at least \$5,900.²⁰⁰ These changes would shift an increasing burden of health care costs onto Medicare beneficiaries, or diminish their access to quality care, ending Medicare as we know it.

House Republicans don't stop there, however. Despite their commitment to not changing Medicare for anyone at or nearing retirement, they roll back many of the provisions in the ACA that are working to lower costs and expand access to critical services such as preventive care. Seniors would immediately see an increase in what they pay for prescription drugs and routine doctor's visits if the Republican plan were implemented.

The benefits to seniors and Medicare from the ACA are clear. Seniors can now access a range of preventive services for free. They are also receiving new discounts on prescription drugs, saving the average Medicare beneficiary approximately \$5,000 through 2022. For those with high prescription drug spending, the savings are even more significant – over \$18,000 during the same timeframe.²⁰¹ Further, measures to slow the growth of Medicare spending, and address waste, fraud and abuse in the system, extended the solvency of the Medicare Hospital Insurance Trust Fund by eight years, from 2016 until 2024.²⁰² As a result, seniors will benefit from a stronger program, better able to meet their diverse health needs.

Over the next several decades, the aging of the baby boom population will increase the number of Medicare beneficiaries substantially. By 2020, enrollment will increase by more than 25 percent and by 2070 it will double.²⁰³ These new retirees deserve the same promise of quality, affordable health care from which their parents have benefited—and it is the position of the Senate Budget that they ought to get it.

Ensuring Americans of all ages have access to affordable health insurance coverage and comprehensive health care services

Health insurance coverage promotes good health. We have recognized this over our country's history and taken steps to extend access to insurance coverage and health care services – first, to the most vulnerable groups, and more recently to Americans of all ages. In doing so, we have worked to

²⁰⁰ Congressional Budget Office, "The Long-Term Budgetary Impact of Paths for Federal Revenues and Spending Specified by Chairman Ryan," [3/20/12](#).

²⁰¹ U.S. Department of Health and Human Services Assistant Secretary for Planning and Evaluation, "ASPE Issue Brief: Estimated Savings of \$5,000 to Each Medicare Beneficiary from Enactment Through 2022 Under the Affordable Care Act," [9/17/12](#).

²⁰² Centers for Medicare and Medicaid Services, "Trustees Report Shows Medicare Remains Viable, but Challenges Remain" [5/13/11](#).

²⁰³ Centers for Medicare and Medicaid Services, "2012 Annual Report of the Boards of Trustees of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund, Table V.B3.," [4/23/12](#).

strengthen a system of employer-based coverage and improve private health insurance options for working-age Americans. But we have also had a strong commitment to providing a robust health safety net for those who need it the most.

The federal government and states work together in fulfilling this commitment. Through two programs, Medicaid and the Children's Health Insurance Program, more than 60 million Americans a year receive health insurance coverage that is financed through the contribution of vital resources from both levels of government. The largest group of enrollees is children in low-income families.

For the share of these children who have medically complex conditions, Medicaid coverage provides life-saving services their families would otherwise be unable to afford. Seniors living in nursing homes and non-elderly individuals with disabilities also receive benefits. And Medicaid plays a significant role in maternal health services – financing 40 percent of all births in the U.S.²⁰⁴ The programs have worked to improve health and lower mortality, while participation has also been linked to less household debt.²⁰⁵

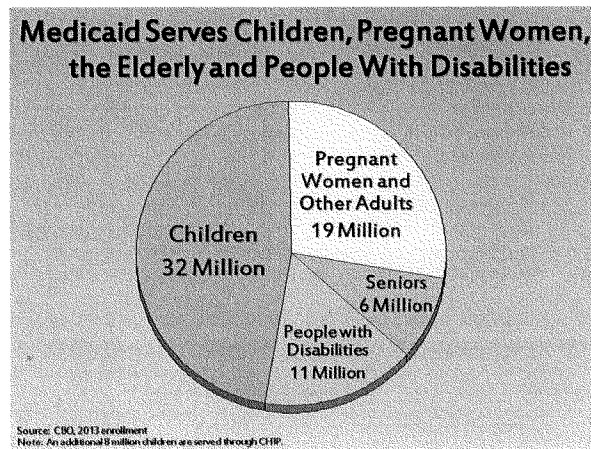
The ACA provides for the largest expansion of Medicaid since it was first created. Under the law, states may enroll all individuals living below 133 percent of the poverty line, with the federal government covering the entire cost for the first three years, and no less than 90 percent thereafter.

The fact that governors from both parties have signed up to participate is a testament to the role the program has played in protecting the most vulnerable, as well as the potential it possesses to extend the basic security of health insurance coverage to those lacking that protection today. Florida Governor Rick Scott, a

Republican, said the following when he announced his decision to support the expansion:

"[T]his country is the greatest in the world. America's greatness is largely because of how we value the weakest among us. Quality healthcare services must be accessible and affordable for all – not just those in certain zip codes or tax brackets. No mother, or father, should despair over whether or not they can afford – or access – the healthcare their child needs."²⁰⁶

In addition to expanding Medicaid, the ACA creates new state-based health insurance marketplaces where consumers with incomes above the threshold to qualify for Medicaid can comparison shop for health insurance. To ensure the plans are affordable, subsidies are provided to limit premiums and out-



²⁰⁴ Kaiser Family Foundation, "Medicaid Matters: Understanding Medicaid's Role in Our Health Care System," [March 2011](#).

²⁰⁵ Center on Budget and Policy Priorities, "Commentary: How Effective is the Safety Net?" [2/6/13](#).

²⁰⁶ Remarks of Governor Rick Scott, [2/20/13](#).

of-pocket costs to a specified percentage of household income. In 2020, nearly 30 million Americans will have health insurance coverage as a result of the Medicaid expansion and state-based marketplaces.²⁰⁷

The ACA also included other important provisions to hold insurance companies accountable and expand access to coverage for particularly vulnerable populations immediately. Today, as a result of the law, insurance companies can no longer deny coverage to children based on pre-existing conditions, impose lifetime limits on coverage, or drop an enrollee when they become ill; more than 3 million young people have been able to stay on their parents insurance until the age of 26,²⁰⁸ and millions of seniors are benefiting from increased coverage of prescription drugs.²⁰⁹

We must continue to build on these and other efforts in the ACA. In particular, investments in public health and prevention and a focus on chronic disease can help reign in health care costs in the long run. This means we can start to move away from a "sick care" system and move toward a system focused on the prevention and earlier treatment of diseases, as well as support for patients and caregivers.

Incentivizing greater patient engagement in their health is also important to this effort. An immediate benefit of the ACA has been that insurance companies now cover preventive services with little or no cost to patients. This new focus on prevention and earlier treatment of illness will help more Americans avoid invasive and expensive later-stage treatments.

Further, beyond these steps, we must ensure it is easy to access care. To this end, Community Health Centers play a vital role for underserved communities, including rural, urban, and frontier areas. The ACA made critical investments in Community Health Centers, recognizing the important role they will play in providing cost-effective health care for millions of newly insured individuals.

And finally, we must also work to address the growing and urgent need to improve mental health care in this country. Recent studies have shown that mental health disorders are some of the most costly conditions in the U.S., and the direct and indirect financial costs associated with mental illness in our country are over \$300 billion annually.²¹⁰ These conditions are proven to be linked with premature mortality, reducing life expectancy on average by eight years for those affected.²¹¹ Adults with a serious mental illness are also 11 times more likely than the general population to be victims of violence.²¹² In our work to improve the health care system we must also fight to expand coverage, provide increased access in both traditional and community settings, and alleviate the stigma associate with mental health care.

The Senate Budget maintains a commitment to improving the health care system in this country. This budget preserves the reforms already underway as a result of the ACA and sees that those scheduled to go in effect over the next several years are fully implemented. This will require not only vigorous monitoring of the progress being made, but that adequate funding for programs such as Community

²⁰⁷ Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2013 to 2023," [02/05/13](#).

²⁰⁸ U.S. Department of Health And Human Services Assistant Secretary for Planning and Evaluation, "ASPE Issue Brief: Number of Young Adults Gaining Insurance Due to the Affordable Care Act Now Tops 3 Million," [06/19/12](#).

²⁰⁹ U.S. Department of Health and Human Services, "People with Medicare save more than \$4.1 billion on prescription drugs," [08/20/12](#).

²¹⁰ Thomas Insel, M.D., Testimony before the U.S. Senate, Committee on Health, Education, Labor, and Pensions, [01/24/13](#).

²¹¹ Druss, B.G. et al., "Understanding excess mortality in persons with mental illness: 17-year follow up of a nationally representative U.S. survey," [June 2011](#).

²¹² Teplin, L.A., et al., "Crime victimization in adults with severe mental illness: comparison with the National Crime Victimization Survey," [August 2005](#).

Health Centers is available to ensure the intended objectives are achieved.

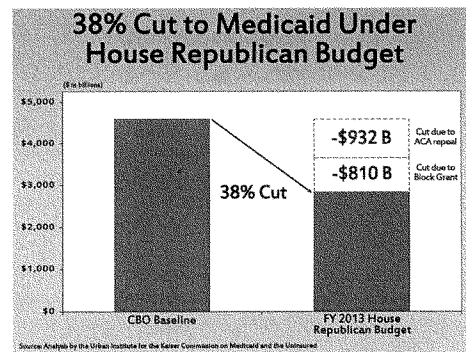
In addition, we will not cease to explore and encourage further improvements in how health care services are delivered in this country. And in doing so, we will continue to prioritize efforts to address prevention and mental health.

House Republicans take a different approach. Their plan to repeal the insurance coverage provisions of the ACA would increase the number of uninsured dramatically – by up to nearly 30 million people. And by undoing insurance market reforms that limit the premiums insurers can charge, require coverage of basic health care services, and increase transparency of their operations, the House Republican plan would put control back in the hands of insurance companies, instead of with patients and their doctors, where it belongs.

On top of their drastic plan to undo the ACA, House Republicans propose to convert Medicaid into a block grant and cut federal support by 38 percent over ten years.²¹³ This change would undermine the federal state partnership. And as a result, states would likely reduce benefits or take them away entirely, particularly during economic downturns when state budgets come under greater pressure. This would put the most vulnerable among us at greater risk when times are the toughest.

These effects are captured in a CBO analysis, which indicated that reductions in spending of this magnitude, “might involve reduced eligibility for Medicaid and CHIP, coverage of fewer services, lower payments to providers, or increased cost-sharing by beneficiaries – all of which would reduce access to care.”²¹⁴

And House Republicans propose these changes despite calls from members of their own party to maintain promised support for Medicaid. As governors indicate their intention to expand the program, many of them are conditioning such action on continued federal funding at today's promised level.



²¹³ Urban Institute, “National and State-by-State Impact of the 2012 House Republican Budget Plan for Medicaid,” [10/23/12](#).

²¹⁴ Congressional Budget Office, “The Long-Term Budgetary Impact of Paths for Federal Revenues and Spending Specified by Chairman Ryan,” [3/20/12](#).

Women's health care and economic opportunity

The Senate Budget is committed to expanding opportunities for women across America. To do so, every effort needs to increase access to affordable health care for women, provide life-saving assistance to all victims of domestic violence, and ensure women are treated fairly and paid equally in the American workplace.

Women's health care

The Senate Budget protects funding for programs that help to increase access for women to health care. The government should not interfere with a woman's private decisions, and the budget should not be used as a tool to force women to lose coverage.

Thanks to the ACA, health insurance plans are now required to cover women's preventive services such as well-woman visits, breastfeeding support, domestic violence screening, and contraception without charging a co-payment, co-insurance or a deductible.

Additionally, ACA ends gender discrimination in pricing insurance, ensuring that women and men pay the same price for the same coverage and prohibits insurance companies from denying insurance to anyone solely because they are a survivor of domestic violence. And ACA prohibits insurance companies from issuing policies in the individual and small group markets that do not include coverage of maternity care services.

The House Republican budget would end these protections by repealing the ACA. Repealing ACA would reduce protections for women, decrease access to life-saving preventative services, and restore inequities by allowing insurance companies to charge more for coverage on the basis of gender. This extreme agenda would restrict health care options for women, while doing nothing to further our goals of strengthening our economy and expanding middle class prosperity.

Violence Against Women Act (VAWA)

In the 18 years since its passage, VAWA has helped provide life-saving assistance to victims across the U.S., decreasing incidences of domestic violence by 53 percent.²¹⁵ Every minute, 24 people across America are victims of violence by an intimate partner. This equates to more than 12 million victims every year.²¹⁶

This year, an overwhelming majority in the House and Senate voted to reauthorize VAWA. This bipartisan legislation provides critical programs that help keep victims safe and hold perpetrators accountable. The bill voted on during this Congress builds on past legislation by strengthening the ability of the federal government, states, tribal governments, law enforcement, and service providers to combat domestic violence, dating violence, sexual assault, and stalking while taking new steps to ensure VAWA programs reach victims previously excluded from protections and services. VAWA now includes provisions ensuring services are available regardless of sexual orientation or gender identity, making this bill more inclusive than ever before.

²¹⁵ Bureau of Justice Statistics, "Selected Findings: Female Victims of Violence," [10/23/09](#).

²¹⁶ Centers for Disease Control and Prevention, "Understanding Intimate Partner Violence," [2012](#).

The Senate Budget recognizes that funding of this program is critical in preventing violence and repairing lives of victims, and increases funding for this essential program. This additional funding will provide lifesaving protections to end sexual and domestic violence, helping women step out from the shadow of violence and be empowered to seek justice. This investment in American women is an investment in our families, our workforce, and our future.

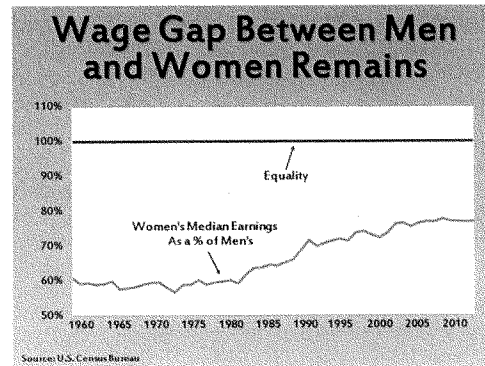
Equal pay for equal work

Women are a valued and growing part of the nation's labor force. They are leaders, innovators, caregivers, breadwinners, and single mothers. And yet, they still face challenges in securing equal pay for equal work and balancing the demands of work and family. The Senate Budget commits to addressing those challenges because when women win, we all win.

According to the National Partnership for Women and Families, women are still paid \$0.77 for every dollar earned by men.²¹⁷ For women who are heads of households, this issue goes beyond fairness to providing for their families. Congress took bold action in addressing wage disparity with the passage of the Lilly Ledbetter Fair Pay Act of 2009, the first bill signed into law by President Obama, but more needs to be done. Democrats continue to lead efforts against wage discrimination with the introduction of the Paycheck Fairness Act and Fair Pay Act.

For many women, being able to balance the demands of work and family or their own health needs is just as important to their economic competitiveness as fair pay. This year marks the 20th anniversary of the Family and Medical Leave Act of 1993 (FMLA), which provides eligible workers with the peace of mind of job security if they need to take leave to care for their health, the health of their family or prepare for a new child.

The Department of Labor released the results of a nationwide survey (Family and Medical Leave Act in 2012: Final Report), which highlights what we already know - work-family policies such as the FMLA are working for workers and employers. The survey found that most FMLA leave is taken for a personal illness, followed by leave for a pregnancy or new child or to care for a sick family member. For employers, the survey found that most covered businesses did not experience difficulty in administering the law. Job protections under the FMLA have been revolutionary but the U.S. remains behind its international economic peers in terms of guaranteed paid leave.²¹⁸



²¹⁷ National Partnership for Women and Families, accessed 3/7/13.

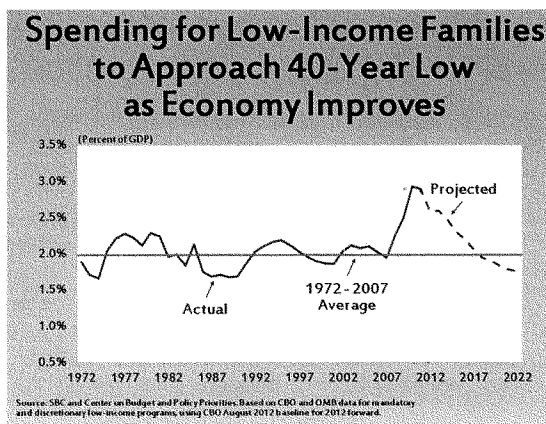
²¹⁸ U.S. Department of Labor, "Family and Medical Leave Act in 2012: Final Report," 02/04/13.

Protecting the most vulnerable families

In the wake of the Great Recession, millions of families lost their jobs, their homes, and their livelihoods. Many others saw reduced hours, wages, or benefits. The most vulnerable among us—children, seniors, those with disabilities, and low-income individuals—were particularly hard hit. The national poverty rate increased to its highest level since 1993²¹⁹ and the number of people living in poverty reached an all-time high. The Senate Budget reflects a deep commitment to both maintaining a strong safety net for those hit by hard times, and providing ladders of opportunity to lift Americans out of poverty.

As the President called for in his State of the Union address, the Senate Budget works to build pathways out of poverty into the middle class through several key investments. This budget will invest in creating jobs to put people back to work right away, job training to fill existing job openings, and high-quality education for our children. These investments support economic growth that will give families the chance to move into the middle class, putting the American Dream within reach.

This budget also focuses on key safety net programs that lift millions of families out of poverty. While there are still far too many Americans struggling to make ends meet, federal programs have been successful in lifting millions of Americans above the poverty line. In fact, the poverty rate would have been nearly twice as high in 2011 without government assistance. According to the Census Bureau's supplemental poverty measure,²²⁰ poverty would have been 29.0 percent instead of 16.1 percent in 2011. Federal safety net programs have helped keep millions of Americans out of poverty in 2011, including 8.7 million from Earned Income Tax Credits and the Child Tax Credits, 4.7 million from the Supplemental Nutrition Assistance Program (SNAP), 3.4 million from Unemployment Insurance, 3.4 million from Supplemental Security Income, and 2.8 million from housing subsidies.²²¹



Spending on low-income programs is declining

In response to the Great Recession, spending on non-health low-income programs increased in recent years. However, this spending has already started to decline. In fact, CBO projects that it is on course to

²¹⁹ U.S. Census Bureau, Historical Poverty Tables Table 2, accessed [3/9/13](#).

²²⁰ Note: Unlike the official poverty measure, the Census Bureau's new Supplemental Poverty Measure takes into account regional differences and the effect of government programs and tax credits.

²²¹ U.S. Census Bureau, "The Research SUPPLEMENTAL POVERTY MEASURE: 2011," [November 2012](#).

approach its lowest level in 40 years. Because expenditures on these programs are actually shrinking compared to the overall economy, these programs are clearly not causing our long-term fiscal problems.

Anti-poverty programs are protected in bipartisan deficit reduction proposals

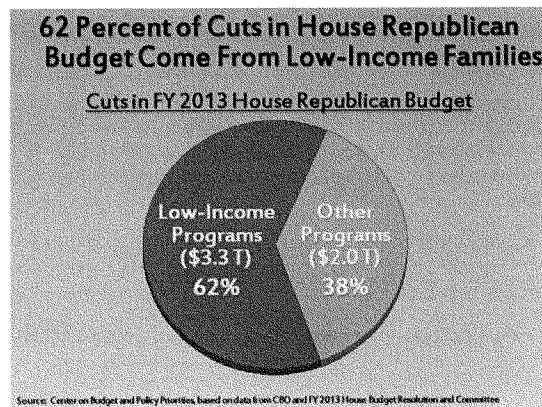
The bipartisan Simpson-Bowles Commission recognized that deficit reduction is counter-productive if it results in increased poverty and widened inequality. Simpson-Bowles established, as a guiding principle, that deficit reduction should protect the most vulnerable among us and maintain a strong safety net. As the Simpson-Bowles report stated, deficit reduction measures should:

“Protect the disadvantaged. About 20 percent of mandatory spending is devoted to income support programs for the most disadvantaged. These include programs such as unemployment compensation, food stamps, and Supplemental Security Income (SSI). These programs provide vital means of support for the disadvantaged, and this report does not recommend any fundamental policy changes to these programs.”²²²

Over the last few decades, all major bipartisan deficit reduction packages have adhered to the principle that deficit reduction should not increase poverty. The 1985 and 1987 Gramm-Rudman-Hollings laws, the 1990, 1993, and 1997 deficit reduction packages, the 2010 pay-as-you-go law, and the 2011 Budget Control Act all exempted mandatory low-income programs from automatic cuts. In fact, the deficit reduction packages passed in the 1990s decreased poverty while shrinking deficits. These packages, which strengthened the EITC and SNAP programs and created the CHIP program, show that poverty can actually be reduced while achieving deficit reduction. More recently, a wide-ranging coalition of religious leaders joined in agreement to argue that protecting the most vulnerable was an absolute moral imperative in the current budget debate.²²³

The House Republican budget takes the opposite approach, placing the burden of deficit reduction primarily on the most vulnerable Americans. In fact, the spending cuts in their proposals are disproportionately targeted to those facing hardship. The Center on Budget and Policy Priorities calculated that 62 percent of the savings in the Fiscal Year 2013 House budget impacted families and communities most in need.²²⁴ That includes \$134 billion from block granting and cutting SNAP for families struggling to put food on the table for their children.

These large cuts to low-income programs like SNAP would increase poverty, widen



²²² The National Commission on Fiscal Responsibility and Reform, “The Moment of Truth,” 12/10.

²²³ “White House and Congressional Leaders Urged to Reduce Deficit without Increasing Poverty: Previous Deficit Reduction Packages Protected Programs for Low-Income Americans,” updated 07/08/11.

²²⁴ Center on Budget and Policy Priorities (CBPP), “Chairman Ryan Gets 62 Percent of His Huge Budget Cuts from Programs for Lower-Income Americans,” 03/23/12.

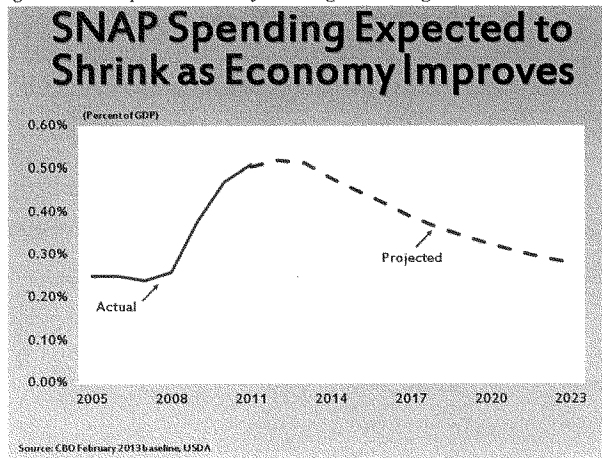
inequality, and create further hardship for vulnerable families. They are also entirely misplaced on programs that are not causing our long-term deficit problems.

Unlike the House Republican budget approach, the Senate Budget will ensure our country upholds our moral obligation to protect the most vulnerable Americans. Similar to the Simpson-Bowles plan and other bipartisan deficit reduction proposals, this budget does not call for fundamental changes to safety net programs. Instead, it works to improve and protect several key safety net programs so that they can help boost even more families out of poverty.

SNAP funding prevents hunger for millions of Americans struck by hard times

The Senate Budget protects funding for SNAP, America's most important program for preventing hunger among extremely vulnerable families. Nearly 72 percent of SNAP participants are in households with children, and more than 25 percent of SNAP participants are in households that include seniors or individuals with disabilities.²²⁵ Research has found that people who had access to SNAP in early childhood had improved health outcomes and improved economic self-sufficiency as adults, relative to similarly low-income people who did not.²²⁶

SNAP is an effective and efficient program that responded exactly as designed during the Great Recession, which impacted millions of American families. SNAP spending increased in response to growing need during the economic downturn—when unemployment increased by 94 percent between 2007 and 2011, SNAP responded with a 70 percent increase in caseload²²⁷—and SNAP spending will decrease as the economy recovers. The Congressional Budget Office estimates that, within the next ten years, SNAP spending will shrink to about the level it was before the recession, as a share of the economy.²²⁸ At the same time, abuse of the SNAP program continues to decrease, with its error rates reaching an all-time low in Fiscal Year 2011.



²²⁵ Center on Budget and Policy Priorities, "Policy Basics: Introduction to the Supplemental Nutrition Assistance Program (SNAP)," Updated 03/08/13.

²²⁶ Hilary W. Hoynes, Diane Whitmore Schanzenbach, Douglas Almond, "Long Run Impacts of Childhood Access to the Safety Net," National Bureau of Economic Research Working Paper No. 18535, November 2012.

²²⁷ Food and Nutrition Service, "Supplemental Nutrition Assistance Program Participation and Costs," Data as of March 2013.

²²⁸ Congressional Budget Office February 2013 Baseline, February 2013.

The cuts to SNAP in the House Republican budget are the equivalent of eliminating SNAP benefits for more than 8 million people per year.²²⁹ Their budget would also block grant SNAP, meaning that the program could no longer automatically respond to recessions, and millions of families would be left with lower benefits or no help at all when they need it the most. For example, if SNAP had been block granted in 2007 with a capped funding level, SNAP funding would have been over 50 percent lower in 2010,²³⁰ just as unemployment was peaking. This would have been equivalent to eliminating SNAP benefits for about 20 million people, increasing demand on an already overstretched food bank system, and undoubtedly leaving poor families hungry.

Nutrition for mothers with young children supports child development and provides future Savings

The Senate Budget also strongly supports the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This program provides crucial supports, including healthy foods and nutrition education, to low-income pregnant women, mothers, and children up to five years of age who are at risk for malnutrition.²³¹ Of those served by WIC, 76 percent are infants and children.²³² WIC is a cost-efficient program that lowers health care expenses over the long term by reducing the likelihood of poor health outcomes for mothers and infants, like low birth-weight. Additionally, studies have shown that Medicaid costs for WIC participants are 29 percent lower than for their counterparts who are not accessing WIC.²³³

While the Senate Budget acknowledges the challenges families face in our current economic situation, the House Republican budget chooses to make drastic cuts to safety net programs that support vulnerable women and children. If the cuts in last year's House Republican budget were distributed equally, about 1.8 million women, infants, and children, or a fifth of those accessing the program, would lose access to WIC services in one year alone.²³⁴ The Senate Budget also reverses sequestration, which would cause 570,000-750,000 low-income women and children to lose access to vital WIC supports in the coming fiscal year.²³⁵

Heating assistance provides critical support to low-income families and seniors

The Senate Budget assumes increased funding for the Low-Income Home Energy Assistance Program (LIHEAP) to assist with home energy costs. Research has shown that children in energy-secure homes, like those assisted by LIHEAP, are less likely to have health issues, be food insecure, be hospitalized since birth, and be at risk for developmental delays.²³⁶ ²³⁷ Additionally, LIHEAP provides critical support to

²²⁹ Center on Budget and Policy Priorities, "Ryan Budget Would Slash SNAP Funding by \$134 Billion Over Ten Years," updated 04/18/12.

²³⁰ Food and Nutrition Service, "Supplemental Nutrition Assistance Program Participation and Costs," March 2013.

²³¹ Food and Nutrition Service, "WIC -- The Special Supplemental Nutrition Program for Women, Infants and Children," Updated December 2012.

²³² Office of Management and Budget, "The Ryan-Republican Budget: The Consequences of Imbalance," 03/21/12.

²³³ Gregory, P.M., de Jesus, M.L. (2003) Racial differences in birth outcomes and costs in relation to prenatal WIC participation *N J Med*, 100(3), 29-36

²³⁴ Office of Management and Budget, "The Ryan-Republican Budget: The Consequences of Imbalance," 03/21/12.

²³⁵ Center on Budget and Policy Priorities, "The Impact of the Sequester on WIC," updated 03/05/13.

²³⁶ Pediatrics, "Heat or eat: the Low Income Home Energy Assistance Program and nutritional and health risks among children less than 3 years of age," November 2006.

²³⁷ Pediatrics, "A brief indicator of household energy security: associations with food security, child health, and child development in US infants and toddlers." October 2008.

low-income elderly Americans, who too often have to choose between home heating or cooling and health care expenses, such as medications.

Housing for low-income families

Housing is an essential part of our economy and critical to the success of families and communities. We have long recognized that our government must play a role in ensuring that needy Americans are not sleeping on the streets or living in unsafe conditions. The stability of a home provides crucial developmental benefits for children, and makes it easier for adults to find stable employment.

For decades, the government has supported affordable housing construction and rental assistance, and today over 5 million low-income renter families, veterans, elderly and disabled Americans use federal rental assistance to access safe and stable housing.²³⁸

Yet, many hardworking Americans still cannot access safe and affordable housing. The Department of Housing and Urban Development (HUD) recently reported that 8.4 million low-income renters had worst case housing needs, meaning they were paying too much of their income toward rent or were living in substandard housing. Of this number, 32 percent are elderly or disabled.²³⁹ These families are one crisis away from losing their housing.

The Senate Budget replaces harmful cuts from sequestration, avoiding devastating consequences for low-income families who use federal housing programs.

As the HUD report noted, the affordable housing crisis continues to grow as wages fail to keep up with rising rents and the stock of affordable housing grows smaller. The Senate Budget recognizes that continued investment in affordable housing is essential to growing our economy and giving low-income families a shot at the middle class. At the same time, it ensures that a critical safety net remains for those in need.

By replacing sequestration with a more responsible plan to reduce the deficit, the Senate Budget avoids the arbitrary cuts to housing programs that would have devastating consequences for low-income families. The 2013 sequestration cuts alone are estimated to put as many as 125,000 individuals and families at risk of losing their housing voucher—leaving them to pay more of their income toward rent, or face eviction and homelessness. In addition, another 100,000 homeless or formerly homeless persons would be at risk of losing their permanent housing or access to shelters.²⁴⁰ And these represent just some of the impacts of cuts in only the first year.

Beyond protecting the safety net, the budget focuses on the principal causes of the affordable housing crisis—wage stagnation and the meager supply of affordable housing units. According to the National Low Income Housing Coalition, there are no states where an individual working full-time at a minimum wage job can afford a two-bedroom unit at the fair market rent, and there are few places in the nation where a one-bedroom unit is affordable.²⁴¹ The Senate Budget recognizes the importance of making sure

²³⁸ U.S. Department of Housing and Urban Development, "U.S. Department of Housing and Urban Development Fiscal Year 2012-2013 Annual Performance Plan", accessed [March 2013](#) and US Department of Agriculture Letter "Results of the 2012 Multi-Family Housing Annual Fair Housing Occupancy Report," [August 2012](#).

²³⁹ U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "Worst Case Housing Needs 2011: Report to Congress," [February 2013](#).

²⁴⁰ Secretary Shaun Donovan, Testimony before the U.S. Senate, Committee on Appropriations, [02/04/13](#).

²⁴¹ National Low Income Housing Coalition, "Out of Reach 2012: America's Forgotten Housing Crisis", [March 2012](#).

families earn enough money to pay for adequate housing. The Senate Budget also supports efforts to capitalize the Housing Trust Fund to increase the supply of affordable housing.

Collaboration among government agencies, the private sector and the philanthropic community is key to helping families achieve housing stability. Strong partnerships and strategic federal investments have demonstrated results. For example, HUD and the Department of Veterans Affairs joined together to successfully reduce homelessness among veterans by 17.2 percent since 2009.²⁴²

Federal investment is also critical to building desperately needed affordable housing, and relationships with the private sector help leverage federal dollars effectively. But in order for the government to work with the private sector, it must continue to be a reliable partner. If Congress continues to create budgetary uncertainty that calls into question the full faith and credit of the nation, we will miss the opportunities to create these partnerships and make taxpayer dollars go further.

The House Republican proposals focus on providing flexibility, while reducing resources vital to helping the neediest. They call for limiting or restricting benefits, but propose cuts to programs like job training and childcare that increase opportunities for families. According to analysis by CBPP, the cuts to domestic discretionary funding under the House Republican budget could result in as many as 1.2 million households losing rental assistance by 2021.²⁴³

The Senate Budget offers the opportunity for government to be a partner with families and communities to help hard working families escape poverty. It protects core housing safety net programs and continues investments in affordable housing. It also invests in education and job training to create opportunities for families to increase their incomes, so they can better afford housing.

²⁴² U.S. Department of Housing and Urban Development, "The 2012 Point-In-Time Estimates of Homelessness," November 2012.

²⁴³ Rice, Douglas, "Deficit Reduction Deal without Substantial Revenues Would Almost Certainly Force Deep Cuts in Housing Assistance," 11/26/12.

Keeping the promises made to our veterans

Keeping faith with our veterans and their family members is our sacred obligation. It is one that we should always meet. As President Kennedy aptly reminded the nation “as we express our gratitude, we must never forget that the highest appreciation is not to utter words, but to live by them.”²⁴⁴ This budget demonstrates our gratitude. It upholds our obligation. A nation’s budget reflects its values, and this budget, which fully funds veterans’ benefits and services, meets our deep commitment to ensuring service to the nation is honored and is put before politics.

Providing health care to veterans must be a top priority. Congress wisely enacted advance appropriations for the veterans’ medical care accounts in order to give stability and certainty to the Veterans Health Administration and to protect veterans’ health care from the turbulent budget climate. This budget will provide \$63 billion in discretionary budget authority for fiscal year 2014 including advance appropriations amounts equal to the President’s fiscal year 2013 requested level.

Access to care, particularly in rural areas, remains a serious concern. With provisions of the Affordable Care Act beginning to be offered in states throughout the country, it is unclear which benefits of the law veterans will take advantage of and how this will affect veterans seeking care from VA. Some research suggests demand for VA care may decrease, in favor of private insurance acquired through exchanges, which could allow eligibility for VA care to be expanded to more veterans, including Priority Group 8 veterans most of whom are currently excluded from the system.²⁴⁵ Improving access to care will require enhancing the collaboration between VA and community providers, non-profits, and other government partners. It also means expanding the use of telehealth, which leads to better patient outcomes and reduced costs.²⁴⁶

VA’s benefits claims system has been broken for far too long and the backlog has only grown larger with each passing year. It is true that more veterans are filing claims than in earlier eras, and more of these claims are increasingly complex, but it is completely unacceptable that VA currently has 895,029 claims pending, with a full 70 percent of those pending more than 125 days.²⁴⁷ This budget will include additional reserve funding for legislation that would increase eligibility for benefits or improve the efficiency of claims processing.

The budget also sets aside funding for certain technology solutions. An electronic claims processing system has the potential to dramatically reduce the wait for veterans to receive compensation for service-connected disabilities. A truly joint VA-DOD integrated electronic health record system would not only make great improvements to the quality of care veterans and servicemembers receive, but it would also revolutionize the health care industry and lead the national effort toward electronic medical records. Unfortunately, these initiatives have fallen behind and are not producing the results originally

²⁴⁴ President John F. Kennedy, “Proclamation 3560,” 11/4/1963.

²⁴⁵ Jennifer Haley and Genevieve M. Kenney, “Uninsured Veterans and Family Members: Who are they and where do they live?” May 2012. Westat, “National Survey of Veterans, Active Duty Service Members, Demobilized National Guard and Reserve Members, Family Members, and Surviving Spouses,” 10/18/2010.

²⁴⁶ Senate Committee on Veterans Affairs, “Report 112-88,” 10/11/2011. See also: Adam Darkins, et al, “Care Coordination/Home Telehealth: The Systematic Implementation of Health Informatics, Home Telehealth, and Disease Management to Support the Care of Veteran Patients with Chronic Conditions,” 1/2/2009.

²⁴⁷ Department of Veterans Affairs, “Monday Morning Workload Report,” 3/4/2013.

envisioned.²⁴⁸ The funding for these efforts is intended to encourage real progress, and substantive improvements on both the technical and management sides.

In allocating these funds, key priorities should be protected including:

- Providing for women veterans – The percentage of women in the overall veterans population has been rising dramatically. It is now incumbent on VA to adapt in order to provide the health care our women veterans need, and to ensure facilities are appropriate to protect the privacy and safety of women veterans.
- Mental health care – With suicide rates at unprecedented levels, VA must do everything possible to prevent suicide and to ensure access to quality mental health care. This includes fully implementing the Mental Health ACCESS Act, hiring additional providers, and bringing down unacceptably long wait times for mental health care.

A key component of VA's ability to provide mental health care and to aid in transition is its network of Vet Centers, operated by the Readjustment Counseling Service. These highly successful facilities should be protected and fully funded.

- Non-VA care – VA cannot always provide care and services to veterans in a timely manner or within a reasonable distance from their homes. When this happens it is important that VA partner with community providers to get veterans into care. However, this can be done more cost effectively, with better oversight of the quality and coordination of care. VA is in the process of implementing the Patient Centered Community Care initiative which is intended to overhaul the very costly way the Department provides non-VA care. Significant concerns remain about how this initiative will be implemented and if the savings and efficiencies the VA anticipates will be achieved.
- Homeless veterans – To its credit VA has made ending veteran homelessness a top priority, and much progress has been made. Funding for continued growth of successful initiatives, such as HUD-VASH vouchers, the Homeless Veterans Reintegration Program, Supportive Services for Veteran Families, and the Grant and Per Diem programs must be protected or increased in order to finally achieve this goal.
- Education benefits – Programs like the Post-9/11 GI Bill, the Veterans Retraining Assistance Program, Vocational Rehabilitation and Education, and others are critically important to helping veterans develop the skills they need to succeed in a 21st century economy. These programs should continue to be provided for as they greatly assist veterans, and also the country as a whole which continues to benefit from the investments we have made in our servicemembers and veterans.
- Employment – Veterans leave the military with a wide range of skills which prepare them to be premier employees in the civilian workforce. Employers, VA, DOD, and others must continue to work together to help translate military skills, especially certifications and licenses, into civilian equivalents

²⁴⁸ In remarks at the James A. Lovell Federal Health Care Center on 5/21/2012, Secretary Panetta characterized the intended electronic health record system as “the iEHR will unify the departments’ now-separate legacy electronic health records systems into a common, secure system that makes service members’ and veterans’ health information available to them throughout their lifetimes.” This differs substantially from Secretary Panetta’s 2/5/2013, characterization that “rather than building a single integrated system from scratch, we will focus our immediate efforts on integrating V.A. and DOD health data as quickly as possible, by focusing on interoperability and using existing solutions.”

that employers can recognize. Continuing to build on the progress made by the VOW to Hire Heroes Act is integral to helping veterans move into the civilian workforce.

It is a great strength of our military that it is an all-volunteer force. It is also a profound statement about the character and dedication of our men and women in uniform that each of them raised their hand and volunteered to go into harm's way to protect our nation.

While the last version of the House Republicans' budget did not even mention the word "veteran," this budget goes to great lengths to ensure those who have served us have access to the health care, benefits, and services they need and have earned as a result of their service. It continues to protect programs that will help ease their transition home. That includes programs at the VA but also initiatives from across the government and in collaboration with communities, businesses, and non-profits.

Keeping the promise of a secure retirement

A secure retirement should be attainable for every American. Unfortunately, nearly half of all Americans are not confident that they will have enough money to comfortably support themselves in retirement, and only 14 percent are very confident that will be able to do so.²⁴⁹

Part of the problem is that fewer and fewer workers have defined benefit retirement plans that provide a steady benefit that cannot be outlived. As of 2009, only one in five private-sector workers participated in a defined-benefit retirement plan. Many of those plans have already been closed to new entrants, meaning access to defined benefit plans is likely to drop even further in future years.²⁵⁰

The decline of the defined-benefit system has placed a burden on average Americans who may not have access to quality financial planning services.

This lack of retirement security places a huge strain on older workers and retirees, who have worked hard and deserve comfortable and dignified golden years. The poverty rate among retirees who lack defined benefit pension income is nine times higher than for workers with pension income.²⁵¹ By allowing far too many older Americans to fall into poverty due to insufficient retirements, we are failing to live up to the fundamental American principle that hard work pays off.

All Americans deserve to enjoy a secure and financially independent retirement. To make that dream a reality, we need to ensure that workers have access to good-paying, middle class jobs; can contribute to a retirement that will provide security for the rest of their lives; and have the confidence that their savings and retirement will be there when they need it most.

Last year, Congress passed responsible savings that help businesses and better protect workers' pensions. The legislation designed a more responsible funding mechanism for the Pension Benefit Guaranty Corporation, keeping our promise to workers that their pension income will be protected even if their company goes out of business. At the same time, the legislation took the pension funding burden caused by historically low interest rates off of businesses, allowing them to spend their money on hiring new workers and rebuilding the economy.

The Senate Budget builds on those provisions by establishing risk-based premiums for companies' underfunded pension plans. These premiums will provide an incentive for businesses to fully fund their pension plans and will help the Pension Benefit Guaranty Corporation better protect the pension promises businesses have made to their workers.

The Senate Budget also reforms and rebuilds the private pension system to help every American access a sound retirement they cannot outlive. The pension system currently fails far too many Americans who do not have access to secure retirement vehicles, and this budget takes a large step toward helping all Americans achieve security and financial independence as they approach retirement.

Social Security plays a critical role in providing a foundation of financial security for nearly 60 million seniors, survivors, family members, and people with disabilities. The Republican approach, however, would weaken the traditional three-legged stool of Social Security, pensions, and savings, leaving

²⁴⁹ Employee Benefit Research Institute, "2012 Retirement Confidence Survey," [March 2012](#).

²⁵⁰ Bureau of Labor Statistics, "Program Perspectives, Volume 2 Issue 3," [April 2010](#).

²⁵¹ National Institute on Retirement Security, "The Pension Factor 2012," [July 2012](#).

hardworking low-income Americans to fend for themselves as they try to save for retirement. Unlike past Republican proposals that would seek to privatize and weaken Social Security, the Senate Budget ensures the guarantee remains.

Protecting middle class families from Wall Street risk-taking and predatory behavior

A well-functioning financial sector plays an important role in the economy. It can help families to build savings to plan for retirement, help firms to raise capital to invest and operate job creating businesses, and in principle it can help individuals and businesses to manage their risks. We believe that well-functioning financial markets are an important ingredient for economic growth.

Our Republican colleagues seem to think that promoting enormous gains in wealth for the already rich is the only essential ingredient for economic growth.²⁵² Republicans have argued for years that we need to support the financial sector through preferential tax rates and unchecked deregulation. They insisted that the prosperity at the very top of this industry would trickle down to everyone else. But as we have seen over the past three decades, this has not happened. The wealth never trickled down: it just stayed at the top.

The recent financial crisis made clear the consequences of poor oversight and inadequate regulation – value destroyed, assets lost, liquidity dried up, businesses bankrupt – all at the expense of American workers and the middle class. For too many, the legacy of poor oversight and inadequate regulation of the market has manifested itself in workers facing retirement having lost their life savings, and families now saddled with insurmountable debt.

Our economy is still recovering from the greatest financial crisis since the Great Depression.²⁵³ Many factors led to this crisis, but some are easily identifiable as the main culprits.

Predatory mortgage lending resulted in too many risky subprime mortgages that borrowers were likely to be unable to pay. These mortgages were used to back securities that were sold from traders to investors. When the housing bubble popped, home values declined and homeowners began defaulting on those questionable subprime mortgages. Many of the mortgage-backed securities that had spread throughout the economy lost so much value that they were considered “toxic assets.” Those who were holding the securities could not sell them for the very little they appeared to be worth without going bankrupt themselves, but no rational investor would buy the securities for anything close to their original price.

Additionally, because of unregulated, unchecked innovation in the financial markets, some financial instruments that originally existed to protect investors against risk became so complex that they actually increased the risk of a total market collapse. Each of these problems was made significantly worse by federal deregulation of financial services, and a Bush administration that was unwilling to enforce the regulations that remained on the books.²⁵⁴

The end result was that a number of significant financial institutions teetered on the verge of collapse. Some banks and other businesses failed outright. Credit tightened, and it suddenly became difficult for even some of the most responsible businesses and individual consumers to borrow money they needed. This liquidity crisis put the entire economy at risk of tumbling from a recession into a deep depression.

²⁵² “Middle out Economics 101,” Center for American Progress, [02/21/13](#).

²⁵³ “Worst Crisis Since ‘30s, With No End Yet in Sight,” *The Wall Street Journal*, [09/18/08](#).

²⁵⁴ “Bush Can Share the Blame for Financial Crisis,” *New York Times*, [09/20/08](#).

Avoiding the mistakes of the past and protecting middle class families

We must not repeat the mistakes that got us into this mess in the first place. Poor oversight of the financial sector allowed rampant predatory lending within the housing market, led to banks growing too large and making too many risky investments, and resulted in other problems that were strong contributors to the financial crisis. Moving forward, responsible regulation and robust oversight are essential to safeguarding our economic recovery and making another crisis less likely.

Before serious financial regulation, consumers often fell victim to financial panics resulting in lost savings, and also had little protection against phony investment schemes. As our financial economy has developed, Congress has passed laws resulting in responsible regulations to protect consumers and their money. But over the past few decades many of those laws have been rolled back and significant parts of the financial industry have been deregulated. This has led to more risk, reckless practices, more frequent and costly bank failures, and greater financial predation. Bank failures were rare from the end of World War II until the early 1980s. Poorly-conceived deregulation set the stage for a wave of bank failures in the 1980s and early 1990s, and ultimately for the recent financial crisis.²⁵⁵

While effective regulation does not guarantee that financial crises can be avoided, regulation can certainly make them less likely.

Regulation can also ensure that consumers know what they are getting – and that they trust that someone out there will help to protect them from fraud and abuse. That certainty makes consumers more comfortable in their purchases, which in turn helps honest firms sell their products and provides a stable foundation for transactions of goods and services in the economy.

Of course, regulation can be burdensome. Congress and the relevant agencies should constantly be examining regulations to ensure that they are smart and appropriate. As the recent financial crisis shows, deregulation – simply eliminating regulations instead of tailoring them – carries grave risks for the economy. Effective regulation requires that agencies have the resources to navigate a complex and ever-changing landscape of financial products. They need the flexibility to be proactive and adapt to changing conditions in the financial marketplace and new business models. They need to be able to hear from the public and assess whether the regulatory schemes are working and, if not, change them.

Innovation in the financial sector can be good and should be encouraged. Consumer-based innovations like ATMs and internet banking have forever changed the way we do business. However, financial innovation can be dangerous. The recent financial crisis was caused in part by new uses of exotic new financial instruments for which the risks were not fully known.

Wall Street Reform was an important step forward to rein in the most egregious problems with financial markets. Congress passed the law in order to protect the financial system and entire economy from future financial sector meltdowns. But with the financial sector constantly evolving, we must continue to adapt our oversight and regulation. Wall Street Reform was an important step forward, but we must continuously look for ways to ensure our financial system promotes economic stability, financial prosperity and global competitiveness.

²⁵⁵ Federal Deposit Insurance Corporation Division of Research and Statistics, "History of the Eighties – Lessons for the Future Volume I: An Examination of the Banking Crises of the 1980's and Early 1990's," December 1997.

Wall Street Reform created the Consumer Financial Protection Bureau (CFPB) in part because we need a functioning watchdog to make certain that consumers have access to information that allows them to accurately assess the risks of their transactions and protect them from predatory firms and unfair business practices. CFPB was also designed to coordinate with a number of other regulatory agencies to enforce federal consumer financial protection laws as well as examine financial institutions and companies to make sure they are complying with the law.

Republicans have a different vision for the path forward

Despite the failure of the deregulation and trickle-down approaches, House Republicans ask us to double down on the approaches that led to the financial crisis. They want us to further reduce regulation, even though deregulation and underfunded regulators have led to rampant fraud and a surge of new investor scams.²⁵⁶ This approach reflects the Republican position on regulation as espoused by then-House Financial Services Committee Chairman-elect Spencer Bachus in 2010, when he said, "In Washington, the view is that the banks are to be regulated, and my view is that Washington and the regulators are there to serve the banks."²⁵⁷

The House Republican approach also guts the regulations that provide the only hope we have to avoid future financial crises. Their approach would have effectively defunded the Consumer Financial Protection Bureau, which was created in direct response to the financial crisis. Currently, the CFPB is not funded directly by Congress like other financial regulators. CFPB's budget comes from the Federal Reserve and is just under \$600 million. The House Republican budget approach would have brought the CFPB budget under the control of Congress and cut the funding to \$200 million.²⁵⁸

The House Republican budget also recommended reductions to the budget of the Securities and Exchange Commission (SEC), the very agency responsible for ensuring that Wall Street's mistakes are not repeated.²⁵⁹ This was unreasonable in the wake of the financial crisis, and is especially so now that Wall Street Reform has tasked the agency with more oversight responsibilities.

The Republican budget eliminated the Federal Deposit Insurance Corporation (FDIC) authority to wind down failed large financial institutions in an orderly way.²⁶⁰ This authority was created to end "too big to fail" and ensures that taxpayers do not bear the burden of Wall Street excesses.

Savings should never come at the expense of common sense and middle class families.

The Senate Budget will protect middle class families and communities

The Senate Budget protects the middle class from Wall Street risk-taking and predatory behavior by restoring funding for regulatory agencies like the SEC to pre-sequestration levels, as well as preserving the independence of financial system regulators.

The Senate Budget allows regulators – including CFPB, SEC and FDIC – to do the job they have been charged to do, which is to protect us from reckless investments and future financial crises that could

²⁵⁶ "Regulators Warn of Growth of New Investor Scams," USA Today, [08/21/12](#);

North American Securities Administrators Association, "Top Investor Threats," retrieved [03/08/13](#).

²⁵⁷ "Spencer Bachus Finally Gets His Chairmanship," The Birmingham News, [12/09/10](#).

²⁵⁸ "Financial Services Committee to Vote on Legislation to Cut Deficit by \$35 Billion," Congressman Spencer Bachus, [04/18/12](#).

²⁵⁹ "Cuts that Gut: More Insight into the Ryan-Republican Budget," OMBlog, [03/28/2012](#).

²⁶⁰ "Republicans Target Dodd-Frank for Deficit Savings," Reuters, [04/18/2012](#).

come at the expense of America's middle class. The budget also injects new funding into the Commodity Futures Trading Commission, one of the lead agencies responsible for regulating the derivatives market and ensuring the integrity of our financial system.

This budget empowers these agencies to perform robust oversight and implement reasonable regulations that stabilize the market and return our nation to economic prosperity. In so doing, it protects America's middle class, ensures our small businesses can access capital, and enables families to plan for the future.

Maintaining our commitment to domestic security while supporting family-centered comprehensive immigration reform

There is no responsibility more important to the federal government than the safety and security of American families. Critical to that mission are investments in safeguarding against terrorist threats, protecting our borders, appropriately responding to life-threatening disasters, and developing comprehensive immigration reform focused on families, fairness, and the needs of small business and industry. At a time when our nation's population continues to grow and our criminal enterprises are increasingly sophisticated, the Senate Budget is committed to ensuring public safety through robust support for federal agencies and local law enforcement.

Over the past decade, domestic security funding has increased considerably. After the attacks of September 11th, Congress dramatically increased government-wide domestic security funding, including for the new Department of Homeland Security. Total government-wide homeland security funding in 2001 was \$10.5 billion.²⁶¹ By 2012, the amount had increased to nearly \$68 billion.²⁶² Over the same time period, the federal government's investment in border security reached unprecedented levels. This includes doubling the number of border agents, bringing the number to more than 21,000,²⁶³ as well as increasing the number of detention beds by almost 75 percent since 2002.²⁶⁴

Congress also required long overdue security improvements on our northern border and in our ports. Along the northern border, the number of border patrol agents has more than tripled over the past decade and security at northern land border crossings has been fortified. Congress also passed legislation and provided funds to combat the construction of border tunnels and crack down on submersibles used to transport contraband, particularly illegal drugs and weapons. In 2006, Congress enacted the SAFE Ports Act, which helped upgrade security at domestic ports and assess security measures at foreign ports.

Comprehensive immigration reform

Over the past decade, Congress has learned that strong security and rigorous enforcement are necessary to secure our borders, but security and enforcement alone are not sufficient for national immigration policy. With unprecedented investment in border security, Congress can finally consider bipartisan comprehensive immigration reform that focuses on families, fairness, and the needs of small business and industry, not just security and enforcement.

Our current immigration laws are outdated and unworkable and the Senate Budget lays the foundation for common-sense comprehensive reform to be built on. Once the work is complete, Congress will need to continue to fund security efforts and work with the administration, states, and local entities to enhance them while providing adequate resources to implement comprehensive immigration reform so the benefits can be fully realized.

²⁶¹ Office of Management and Budget, "The Budget of the United States, Fiscal Year 2003, Summary Tables, Table S-5," [02/04/2002](#).

²⁶² Office of Management and Budget, "The Budget of the U.S. Government, FY 2013, Analytical Perspectives," [02/13/2012](#).

²⁶³ U.S. Customs and Border Protection, "U.S. Border Patrol: Border Patrol Agent Staffing By Fiscal Year," [02/04/2013](#).

²⁶⁴ Congressional Research Service, "Immigration-Related Detention," [01/18/2013](#).

Federal efforts to protect and enhance the security of our communities

Given the vital importance of maintaining the security gains we have achieved and the need to address emerging security challenges, it is surprising that House Republican approach would deeply cut funding from the very part of the budget that provides for domestic security.

Last year, the House Republican approach cut domestic funding by 20 percent over 10 years. These cuts were well below initial funding levels agreed to by Democrats and Republicans in the House and Senate. The dramatic and sustained cuts made by House Republicans would make it extremely difficult, if not impossible, to maintain ongoing federal law enforcement activities at their current level, let alone maintain the decade of progress the nation has made in antiterrorism and domestic security efforts. The inconsistency of the House Republicans' calls for increased security funding, particularly at the border, while simultaneously advocating steep cuts to the funding source for these efforts has never been explained.

Our past investment and current funding in domestic security has made our borders more secure against organized crime and our local law enforcement more efficient in the administration of justice, yet the harmful cuts of sequestration has placed progress at risk. For example, in explaining the impact of these cuts, Secretary of Homeland Security Janet Napolitano said, "I don't think we can maintain the same level of security at all places around the country."²⁶⁵ Due to the harmful cuts of sequestration, border patrol agent hours will be reduced, equating to 5,000 fewer agents between border crossings²⁶⁶ and the number of Transportation Security Administration officers will be reduced, resulting in delays between 150 percent and 200 percent at certain airports during peak travel times.²⁶⁷ The harmful cuts of sequestration jeopardize past progress and further cuts by the House Republican approach would place our domestic security at risk.

The Senate Budget seeks to capitalize on the tremendous investments we have made by continuing to appropriately fund programs that have been critical to our domestic security gains. This budget invests in struggling cities and towns across the country by providing funding for more officers on our streets. Maintaining support for law enforcement and security allows the nation's businesses and workers to operate in a safe and productive environment.

Besides the obvious benefit of preventing loss of life, these investments also help prevent the economic shock that accompanies large-scale criminal or terrorist acts. Limited fiscal resources and limited funding will require this and future Congresses to continue to be vigilant in allocating and overseeing these resources to ensure they are used to maximum effect.

Additionally, tight fiscal constraints will require federal agencies to maximize the use of funding through cooperation where necessary and partnerships with state and local entities where appropriate. However, the balanced approach to improve our fiscal situation inherent in the Senate Budget allows for sufficient resources to meet the difficult security challenges the U.S. will face in the future.

²⁶⁵ "Border Safety at Risk With Cuts, Says Homeland Security Boss," CNN, [02/25/2013](#).

²⁶⁶ "Janet Napolitano: Border Is Less Secure Because of Budget Cuts," ABC News Radio, [03/04/2013](#).

²⁶⁷ "Napolitano: Airports Feel Impact From Spending Cuts," Reuters, [03/04/2013](#).

Keeping promises to future generations by protecting the environment and addressing climate change

The Senate Budget recognizes that protecting our environment and building a strong economy that provides opportunity for all Americans are not mutually exclusive goals. In fact, by working to safeguard our land, water, and air, this budget takes critical steps to help us stay competitive with countries around the world that are proactively addressing their environmental challenges in a way that is also helping to grow their economies.

The Senate Budget lays out a blueprint for a thriving economy that ensures a healthy environment for future generations. It prevents big polluters from putting profits ahead of the health and safety of our families and communities. It keeps our promise to future generations by increasing funding for vital conservation programs. And it takes steps to increase funding for the Environmental Protection Agency, science research and development programs across the country, and programs within the Department of Energy in order to continue the push to lower emissions of dangerous greenhouse gases.

This is a shared goal that many American leaders, including prominent Republicans, have consistently supported in order to protect the environment. From President Theodore Roosevelt, who established national parks, forests and wildlife refuges,²⁶⁸ to President Nixon who created the EPA, to the bipartisan passage of laws to keep our air and water clean, leaders on both sides of the aisle have repeatedly come together to make our land and water healthier for their generation and generations to come.

The positive impacts of these actions are evident in every facet of our lives. In the years since President Nixon signed the Clean Air Act, there has been a 60 percent reduction in air pollutants that cause smog, acid rain, and other airborne pollutants. More than 400,000 premature deaths have been prevented as a result.²⁶⁹ And, thousands of heavily-polluted bodies of water have been restored and now meet federal water quality standards.²⁷⁰

Endangered and threatened species – the bellwethers of environmental quality – have been protected, with recovery efforts leading to dozens of full recoveries and down-listings.²⁷¹ Meanwhile, the construction of new public works projects is completed with a full review of environmental impacts, preventing health, safety, and environmental problems for our families.

This budget also recognizes the environmental and economic impacts of climate change. In recent years, scientists and lawmakers from around the world have reached the clear conclusion that climate change is one of the largest threats to the health of the planet, and therefore the well-being of our families. Global emissions of greenhouse gases continue to increase, as does the average surface temperature of the planet. The U.S., through efforts to promote cleaner energy, conservation of lands, and energy efficiency, has successfully begun to lower its annual emissions, though much more needs to be done. This budget increases funding to build on those efforts in order to avoid the detrimental impacts that ignoring this growing crisis would have on our economy and environment.

While Democrats and Republicans have worked together in the past to protect our environment, recent partisanship and the rising influence of those with anti-environmental views have hurt those efforts and

²⁶⁸ National Park Service, "Theodore Roosevelt and Conservation," [2/20/2013](#).

²⁶⁹ Union of Concerned Scientists, "The Clean Air Act," [2/1/2012](#).

²⁷⁰ Environmental Protection Agency, "40 Years of Achievements, 1970-2010," accessed [2/28/2013](#).

²⁷¹ Crouse, Deborah and Krishna Gifford, "Thirty Five Years of the Endangered Species Act," [8/28/2012](#).

threaten the health and safety of families and our environment. There have also been attempts to defund enforcement of the Clean Air Act and the Clean Water Act, as well as to block regulations that help prevent asthma in our children and access to clean, safe drinking water. These efforts run counter to our shared interest in healthy, livable communities and too often only serve the interests of large corporate polluters.

Lastly, many elected officials continue to ardently deny the science of climate change and the real impacts it is already having on nation and will have for decades to come. This view only hinders our efforts to reduce hazardous greenhouse gases and to transition our nation to a clean energy future.

Protecting the environment: endangered species and open space

Our country is home to a wide variety of wildlife, from bald eagles to Orca whales, and an expansive system of open space and public lands that has been left to us by previous generations to protect. This irreplaceable heritage has been safeguarded by the passage of our nation's fundamental conservation laws, including the Land and Water Conservation Fund Act, the Endangered Species Act, and the National Environmental Policy Act, among others. Unfortunately, this legacy is now under attack from many sides.

Climate change and habitat loss threaten species in the natural world as an estimated 6,000 acres of open space are lost each day.²⁷² Meanwhile, the endangered species protections are increasingly targeted through legislative efforts. These attempts to limit the effectiveness of rules to preserve our natural environment would shortchange future generations while harming America today. Protecting public land and investments in ecosystem restoration projects by the U.S. Army Corps of Engineers, the Department of the Interior, and EPA provide innumerable benefits.

Ongoing environmental restoration and efforts to recover endangered species support fresh drinking water, protect communities from natural disasters, provide jobs and bolster economic growth. As such, the Senate Budget strongly funds ongoing environmental restoration through programs like the Great Lakes Restoration Initiative, as well as in places like the Everglades, the Upper Mississippi River, the Chesapeake Bay, Coastal Louisiana, the San Francisco Bay Delta, the Puget Sound and others.

This budget understands the importance of access to public lands for all recreation users, from bikers to birders to hunters and anglers. An estimated 90 million Americans, or more than a quarter of the U.S. population, participated in wildlife-related recreation in 2011.²⁷³

And it recognizes the critical role that the outdoor recreation economy plays in our greater economic success. Outdoor recreation on public and private lands provides a significant boost to state economies while supporting over 6 million American jobs that cannot be outsourced.²⁷⁴ Adequate funding is critical not just for today's generation, but to ensure clean water, clean air, and open space is preserved for those to come.

To reflect these priorities, the Senate Budget protects investments in the preservation of public spaces, the restoration of impaired ecosystems, and the recovery of at-risk species. This budget:

²⁷² United States Department of Agriculture, Forest Service, "Partnerships to Conserve Open Space in Rural America," August 2006.

²⁷³ U.S. Department of the Interior, U.S. Fish and Wildlife Service, and U.S. Department of Commerce, U.S. Census Bureau, "2011 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation," 12/2012.

²⁷⁴ Outdoor Industry Association, "The Outdoor Recreation Economy," 2/14/2013.

- Fully funds the Land and Water Conservation Fund and enables the reauthorization of conservation measures like the Federal Land Transaction Facilitation Act;
- Increases funding for wildland firefighting and watershed recovery programs that will help protect our forests and watersheds, and addresses legacy roads and trail maintenance needs;
- Keeps the gates open at all of our national parks so that our families can continue enjoying our national treasures; and
- Continues investing in restoring our coastal, ocean, and aquatic ecosystems.

This budget understands that environmental protection and economic growth can go hand-in-hand and it is committed to providing adequate funding to ensure appropriate management of our federal lands.

Protecting the environment: clean air, clean water, and restoring impaired resources

In the years since the creation of the Environmental Protection Agency (EPA), great strides have been made in public health and protection of the environment, but much work remains to be done.

The EPA's most recent comprehensive survey indicated that "about 44 percent of assessed stream miles, 64 percent of assessed lake acres, and 30 percent of assessed bay and estuarine square miles are not clean enough to support uses such as fishing and swimming."²⁷⁵ And in 2012, the American Lung Association reported that 41 percent of Americans lived in counties with ozone or particle pollution at unhealthy levels.²⁷⁶ These figures indicate that not only is our environment suffering, but that our families, economy, and communities are hindered as well.

This budget takes the position that we can create a stronger foundation for healthy communities while generating economic activity. The Clean Air Act is an excellent example of the EPA's successes on that front. As a result of emissions standards implementation, cleaner air will prevent 400,000 cases of premature mortality and 17 million lost days of work in 2020.²⁷⁷ In total, the 1990 Clean Air Act Amendments could yield an economic value of \$2 trillion;²⁷⁸ when compared with an estimated cost of implementation of new standards totaling \$65 billion, the economic value of the Clean Air Act is drawn in even sharper relief.²⁷⁹ Additionally, the environmental technologies industry, representing sectors such as solid waste management and air pollution control equipment, supported approximately 1.5 million jobs in 2010.²⁸⁰ Given the demonstrable health and environmental benefits, the EPA must be empowered to continue their work and build on their past success.

The EPA has also made significant advances in restoring impaired resources. Hazardous waste impacts our communities from former mines in Vermont to landfills in Washington.²⁸¹ The EPA plays a significant role in the clean-up of these Superfund sites, particularly when the party responsible for the original pollution no longer exists. Failure to address clean-up needs at Superfund sites, brownfields, and areas with leaking underground storage tanks across the country will hinder environmental recovery, harm human health, and restrict economic growth in the middle class communities in which many of these sites are located.

²⁷⁵ U.S. Environmental Protection Agency, "The National Water Quality Inventory: Report to Congress," [January/2009](#).

²⁷⁶ American Lung Association, "State of Air 2012" [2012](#).

²⁷⁷ United States Environmental Protection Agency, "Second Prospective Study 1990-2020," [April 2011](#).

²⁷⁸ Environmental Defense Fund, "Saving Lives And Reducing Health Care Costs: How Clean Air Act Rules Benefit The Nation," [November 2011](#).

²⁷⁹ United States Environmental Protection Agency, "Second Prospective Study 1990-2020," [April 2011](#).

²⁸⁰ United States Department of Commerce, "The Environmental Technology Industry in the United States" accessed [3/7/13](#).

²⁸¹ United States Environmental Protection Agency, "Superfund Sites Where You Live," [6/1/12](#).

The Senate Budget considers these to be serious issues and restores investments to the EPA to ensure it can continue to make our air, water, and land healthier and safer for families and communities. This budget fully mitigates the impacts of sequestration on EPA and provides additional funding for it to fulfill its important missions.

House Republicans take a very different approach. Their proposals would drastically cut the EPA's budget and tie the Agency's hands with regard to efforts to clean up our air and water. A recent Republican spending bill would have cut the EPA's funding 16.5 percent below 2012 levels. Some EPA accounts, such as State and Tribal Assistance Grants, would have faced a decrease of 28 percent.²⁸²

These draconian cuts would further constrict the EPA's efforts to assist state and local governments maintain promised levels of clean and safe drinking water for all Americans and drastically cut funding for much needed waste water and drinking water facilities across the country. They would put a greater burden on low-income residents who will see their water and sewer bills rise even higher as failing infrastructure is upgraded or replaced. Republicans have also introduced scores of bills to defund the EPA's ability to regulate pollutants and have proven unwilling to allow the EPA to enforce key parts of the 1990 Clean Air Act Amendments.

Preparing for the impacts of climate change

The nonpartisan Government Accountability Office found that the impacts of climate change, including increasingly extreme and frequent severe weather events, sea level rise, and altered agricultural productivity, dramatically increase the fiscal exposure of the federal government.

Among other impacts, the federal government risks:

- Widespread damage to its real property from climate impacts;
- Substantial fiscal exposure as the insurer of properties and crops that the private sector will not cover; and
- Significant increases in disaster relief expenses as it provides assistance to areas impacted by more frequent and severe natural disasters.²⁸³

The financial risks to the government are easier to see when considering our experience of the last two years. Between 2011 and 2012, there were 25 natural disasters impacting 43 states that caused at least \$1 billion in damage. A devastating drought across much of our country and weather events such as Superstorm Sandy resulted in economic damage to the U.S. totaling at least \$188 billion during that two-year period alone.²⁸⁴

The impacts of climate change, however, are not just a matter of federal financial risk. Climate change threatens the vitality and safety of many communities. It jeopardizes many of our coastal hometowns while causing our inland cities hardship as floods occur more frequently. It will produce longer-lasting

²⁸² Esworthy, Robert, "Environmental Protection Agency (EPA): Appropriations for FY2013," [10/2/12](#).

²⁸³ United States Government Accountability Office, "Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks," [2/14/13](#).

²⁸⁴ "Going to Extremes: The \$188 Billion Price Tag from Climate-Related Extreme Weather", Center for American Progress, [2/12/13](#).

and more severe drought. And it endangers the health of families across the country that will be exposed to severe weather and increases in heat-related illness and diseases.²⁸⁵

In the face of these indisputable facts, we must take responsible action to try to reduce greenhouse gas emissions while preparing for the impacts of a changing planet. The Senate Budget fulfills our promise to preserve the planet for our children and grandchildren. The budget:

- Invests heavily in science R&D, as well as in the deployment and commercialization of clean energy resources that will help us lower emissions while fostering job creation and economic growth; and
- Funds programs that make homes and offices more energy efficient, reflecting an understanding that getting more energy out of less production lowers emissions in a cost-effective manner.

Moreover, the Senate Budget responsibly prepares for the effects of climate change by:

- Robustly funding activities that will help us accurately predict weather patterns and extreme weather events; and
- Investing in federal resiliency activities that will help communities across the country prepare for extreme weather events.

By funding these and other priorities, the Senate Budget fosters economic growth, positions the federal government to save hundreds of billions of dollars over the long run, and protects and nurtures the planet for our future generations.

House Republican proposals, however, would move us in the opposite direction. According to an analysis by the Center for American Progress, the Republican budget would have cut \$3 billion from energy programs in 2013 alone.²⁸⁶ Many of those programs support the research, development, and deployment of clean energy that will help us greatly reduce carbon emissions.

Increased investment in clean energy technology will benefit our economy, our families, and our environment in the long run. Previous successes have proven that improving our environment does not have to come at the expense of a growing economy. By funding resiliency efforts and advancing new technologies, our budget helps us move beyond the energy sources of the past, lower the tab for future disaster relief, and provide stability for our communities by helping them weather future storms.

²⁸⁵ The Nature Conservancy, "Global Warming and Climate Change: Threats and Impacts," accessed [3/10/13](#).

²⁸⁶ "Ryan Budget Pads Big Oil's Pockets with Senseless Subsidies," Daniel J. Weiss, Center for American Progress, [3/20/2012](#).

Keeping our promises to America's rural communities

The continued strength of our country's rural communities is critical to our economy, environment, and the quality of life of millions of American families. And the health of our agricultural economy is crucial to the success of our rural communities. While the agriculture sector has seen several boom and bust cycles over the last century, it has been doing well in recent years, helping to buoy the rural economy. Over 16 million jobs depend on the continued success of American agriculture, as does our food supply.

The Senate Budget includes savings from reforming agriculture programs, while it also ensures that farmers continue to have a strong safety net when natural disaster or hard economic times hit. This budget provides flexibility to the Senate Agriculture Committee to write a strong five-year Farm Bill that will maintain an effective safety net for farmers and will continue to invest in communities through key conservation, research, nutrition, energy, and rural development programs.

Conservation

Farmers, ranchers and rural communities are stewards of our working lands that the Senate Budget seeks to protect. This budget supports the idea that these lands should move from our children to our grandchildren intact. The budget makes important investments in conservation programs that provide cost-shares to keep our lands open and free of development and deterioration.

Agriculture Research

The Senate Budget aims at making the most out of our working lands in order to feed a growing population. That is why this budget continues support for agriculture research, often carried out at our nation's land grant colleges and universities, to ensure that we continue to produce an abundant, high quality, and affordable food supply. Agriculture research encourages crop diversification and results in new crop varieties that will increase our competitiveness in a global marketplace. Federal investment in agriculture research leverages state, local and grower investment. Unfortunately, the across-the-board cuts from sequestration would weaken our country's research capabilities, which would hurt the competitiveness of our agriculture sector by making it harder for our farmers to keep up in the race for new crop varieties.

Energy

Keeping our rural communities strong also means creating new economic opportunities. From growing feedstocks like algae, grasses and oilseed crops, to bio-based refineries to produce these alternative fuels, the potential for rural America to contribute to a home-grown, clean energy economy is nearly boundless. The Senate Budget takes advantage of this by making smart investments in clean energy programs for agriculture, forestry and bio-based products. This stands in stark contrast to last year's House Republican budget, which slashed funding for clean energy programs as well as agriculture programs that contribute to alternative fuels, such as producing feedstocks.

Farm Bill

Many of America's rural priorities depend on enacting a strong five-year Farm Bill reauthorization. From preserving a safety net for producers, to expanding economic opportunities in a clean energy economy, to accessing new markets for our domestically produced products, a Farm Bill authorizes and provides funding for the programs necessary to keep rural America thriving.

The 2008 Farm Bill made certain farm program reforms, while ushering in a new focus on healthy foods and clean energy. The 2012 Senate Farm Bill would have made significant reforms to farm programs while refocusing support on helping farmers manage risk. It would have also continued important investments in specialty crops and home-grown energy.

This balanced approach passed the Senate with broad, bipartisan support, but unfortunately was not considered in the House of Representatives. Due to the House's failure to act, Congress was forced to extend the existing Farm Bill for one year, but because of fiscal constraints had to leave many programs, including those for clean energy and agricultural research that are critical to rural America, on the cutting room floor.

The Senate Budget supports responsible spending reductions in farm programs and gives the Senate Agriculture Committee the flexibility to write a new five-year Farm Bill reauthorization. Having a five-year law in place is critical to giving our farmers and ranchers an appropriate safety net and our rural communities the certainty they need to continue to prosper.

Supporting workers while they fight to get back on the job

The Senate Budget recognizes that the federal-state unemployment insurance program plays a key role in preserving a strong middle class and helping hardworking Americans get back on their feet and back on the job. Although the economy is recovering, unemployment—and particularly long-term unemployment—remains stubbornly high. Unemployment benefits provide a lifeline for unemployed individuals while they search for a job, allowing them to make ends meet for themselves and their families during periods of unemployment.

With the passage of the American Taxpayer Relief Act earlier this year, Congress extended federal emergency unemployment benefits through the end of 2013. This investment will provide a helping hand to millions of Americans who have been out of work for more than six months and who are still struggling to get back on the job.

Unemployment benefits also help to keep millions of people out of poverty each year. According to the Census Bureau, in 2011 alone, unemployment benefits kept 3.4 million individuals—including nearly 1 million children—from falling into poverty.²⁸⁷

Over the past 40 years, fewer and fewer workers have been qualifying for unemployment benefits, and a substantial percentage of workers currently lack a backstop to help them weather spells of unemployment.

This hurts unemployed workers who have fallen outside of the system and must get by without support, but it also hurts local economies that suffer when unemployed workers don't have money to spend on necessities in local businesses. Economist Mark Zandi estimates that every \$1 in unemployment benefits generates more than \$1.50 in economic activity.²⁸⁸

Unemployment benefit payments, responding just as they were designed to, have spiked in recent years due to high levels of unemployment across the country. These benefit payments are projected to drop by more than half from 2012 to 2015 as the unemployment rate continues to decrease and emergency benefits expire.

But while our recovery remains fragile, House Republicans have put forward bills that would restrict eligibility for unemployment benefits even further than the current requirements do, leaving more workers struggling to find good, middle class jobs without a helping hand to support them while they search.

The Senate Budget maintains the strong foundation of the unemployment insurance program, ensuring that workers are eligible to receive the benefits they have been promised. Our budget also makes reforms that will help the system stay financially sound, reduce wasteful and fraudulent payments, and better meet the needs of unemployed Americans.

²⁸⁷ U.S. Census Bureau, "The Research SUPPLEMENTAL POVERTY MEASURE: 2011," November 2012.

²⁸⁸ Mark Zandi, Testimony before the U.S. Senate, Joint Economic Committee, 11/7/12.

Keeping our promises to American Indians and Alaska Natives

The U.S. Government has a unique relationship with American Indians and Alaska Natives, including the responsibility to uphold treaties and fulfill Government-to-Government consultations with 566 federally recognized tribes. Too many promises were made to American Indian and Alaska Native people only to be broken later when the terms no longer suited the federal government. American Indians and Alaska Natives were guaranteed the right to self-governance on their own lands. However, chronic underfunding of programs that support American Indians and Alaska Natives have resulted in unacceptable outcomes for Native communities, children, and families.

American Indian and Alaska Native families must be given the same opportunities to compete and succeed as everyone else. Decades of federal mismanagement of tribal lands has resulted in lost royalties for Indian Nations and individual tribal members, and the federal government must fully address this issue in order to adequately meet their trust responsibilities.²⁸⁹ Appropriate funding must be provided to carry out our obligations, appropriate management of lands and resources held in trust for tribes must be maintained, and tribal governments need to be given the tools they need to effectively self-govern.

Sequestration impacts communities across the country, but the impact on American Indian and Alaska Native populations is particularly acute. Cuts to Native programs resulting from sequestration undercut the trust responsibility the federal government has to Native Americans and could significantly hamper tribes' efforts to improve the lives of today's members and future generations.²⁹⁰

The Senate Budget replaces the cuts made by sequestration and renews our commitment to American Indian and Alaska Native communities. It includes greater funding for Violence Against Women Act programs to provide tribal governments with the resources they need to prosecute perpetrators of domestic violence on reservations.

The Senate Budget recognizes the role the federal government plays in the education, health, and well-being of Native communities and families across the country, and it renews our dedication to funding vital programs including the Indian Health Service, Native education programs from early childhood to college, Impact Aid, and housing funds like the Indian Housing Block Grant program. Additionally, this budget is committed to funding programs to restore natural resources and traditional foods that many tribes rely on as food sources and for their cultural identity, as well as providing the support Native governments need to successfully govern their own communities.

²⁸⁹ National Congress of American Indians, "An Introduction to Indian Nations in the United States" accessed 3/2/13.

²⁹⁰ National Congress of American Indians, "Analysis of the Sequester: Betraying the Trust Responsibility and Slowing Tribal Progress," 2/27/2013.

II. Spending

Spending

Discretionary

The Committee-reported resolution rejects the Sequestration cuts under current law and proposes to replace them with a balanced, responsible package of deficit reduction. The resolution assumes discretionary funding for fiscal years (FY) 2013 and 2014 at the initial statutory levels, including firewalls, included in the American Taxpayer Relief Act (ATRA). That legislation enacted two months ago lowered the original Budget Control Act (BCA) discretionary limits by a total of \$4 billion for FY 2013 and \$8 billion in FY 2014. These cuts were in addition to the \$1.5 trillion of savings that resulted from enactment of the initial spending limits in the BCA and from 2011 continuing resolutions.

Recognizing that discretionary cuts enacted in ATRA only affected the early years of the period covered by the budget resolution, beginning in FY 2015, the resolution assumes further reductions to the BCA security and non-security funding levels. Relative to CBO's February baseline estimate that excludes the effects of the sequester, over 10 years, defense funding is lowered by \$250 billion in Budget Authority (BA) and \$240 billion in outlays, and non-defense funding is lowered by \$150 billion in BA and \$142 billion in outlays. For these years, defense funding and security funding share the same definition – discretionary accounts within Budget Function 050, Defense. These reductions do not approach the harmful levels that would result if Sequestration cuts were left in place. Even so, adhering to these levels will require Congress to make tough choices and achieve increased efficiencies to maintain important investments while helping bring the deficit down.

By FY 2023 overall discretionary spending in the resolution will fall to the lowest level as a share of gross domestic product in over 60 years.

Although the resolution assumes that the Sequestration cuts are replaced, until that occurs, the resolution must enforce current law. This means the aggregates, discretionary spending limits, and the 302(a) allocations to the Committee on Appropriations for FY 2013 and FY 2014 are set at levels consistent with the BCA. Section 403 of the resolution allows the Chairman of the Budget Committee to adjust these limits and allocations for Sequestration replacement legislation, in order to align the resolution with such changes. For FY 2013, the caps are unchanged by the sequester, but the resolution proposes that the Sequestration cuts are reversed. For FY 2014, the assumed level for discretionary funding if the BCA cap reduction is replaced would be \$552 billion for defense funding and \$506 billion for nondefense funding.

This adjustment authority could also be used to reflect the enactment of additional adjustments, such as legislation to fund investments that will lay the foundation for job growth and long-term economic development.

The resolution also allows for cap adjustments for existing program integrity adjustments, emergency, and disaster funding. For Overseas Contingency Operations (OCO) funding, the resolution establishes a cap for FY 2013 at the current continuing resolution level of \$99.7 billion and \$50 billion for FY 2014. The resolution assumes an additional \$25 billion in OCO funding for 2015. Should additional OCO funding be needed after that, the resolution includes a deficit neutral reserve fund to accommodate such funding.

The assumed level of discretionary outlays in the resolution was made without the benefit of final action on FY 2013 appropriations bills or the President's budget request for FY 2014. Outlays represent the timing of spending that result when budget authority is appropriated. Estimates of outlays based on the same level of BA can vary widely because they are contingent upon how BA is allocated. A complete assessment of the appropriate level of discretionary outlays for FY 2014 cannot be made until FY 2013 funding bills have been completed and the Congressional Budget Office (CBO) has provided Congress with a reestimate of the President's FY 2014 budget request. Consequently, the discretionary outlay assumptions in the resolution may need to be updated in conference when a more accurate estimate of outlays can be made.

Mandatory

The mandatory spending component of the budget, also known as "direct spending," represents spending controlled by laws outside of the annual appropriations process and without any additional legislative action by Congress. For example, mandatory spending includes programs authorized by permanent laws, such as Social Security, Medicare, Medicaid, Unemployment Insurance, certain veterans' benefits, federal employee retirement and disability, student loans and Supplemental Nutrition Assistance Program (SNAP). Congress defines eligibility requirements and benefits or payment rules for these programs through authorizing legislation. If eligibility requirements are met for a mandatory program, the government is legally obligated to provide beneficiaries—persons, households or other levels of government—payments. Mandatory spending is typically provided in permanent or multi-year authorizations.

During economic downturns, some mandatory expenditures act as "automatic stabilizers" to fiscal contraction—more people become eligible for mandatory programs such as Unemployment Insurance and SNAP. As our economy recovers, CBO estimates spending on these programs will decline from their peak during the FY 2008-2010 time period.

Given our fiscal imbalance, the Committee-reported resolution takes a balanced and responsible approach by assuming \$351 billion in mandatory spending savings over 10 years (FY 2014-FY 2023) as measured relative to the current policy baseline. These savings are outlined in each budget function.

Function 050: National Defense

Function Summary

The National Defense function contains funds for most of the activities of the Department of Defense and certain defense-related activities of other agencies, such as the Department of Energy. Levels for this account have grown dramatically since 2001, not only in funding for Overseas Contingency Operations (OCO), but also in the base defense budget.

Summary of the Committee-Reported Resolution

The budget resolution sets FY 2014 levels at \$560.2 billion in BA and \$599.6 billion for outlays for Function 050. Over the FY 2014-2018 period, BA totals \$2.876 trillion, with \$2.899 trillion in outlays. From FY 2014-2023, the function totals \$5.96 trillion in BA and \$5.924 trillion in outlays.

For discretionary spending, the budget resolution calls for FY 2014 levels of \$552 billion in BA and \$591.4 billion in outlays. BA totals \$2.833 trillion and outlays equal \$2.855 trillion over five years.

From FY 2014-2023, the discretionary total for Function 050 is \$5.867 trillion in BA and \$5.829 trillion in outlays.

The budget resolution totals for mandatory spending are \$8.2 billion in BA and outlays in FY 2014. BA increases to \$43.2 billion and outlays rise to \$43.5 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 050 is \$93.7 billion in BA and \$94.4 billion in outlays.

As the war in Iraq has ended and the war in Afghanistan comes to a close, the budget resolution reduces the growth of defense funds and achieves \$250 billion in discretionary savings over nine years. These reductions do not begin until FY 2015 in order to give military leaders time to plan accordingly, and would increase gradually, avoiding dramatic changes in resources which would be difficult to manage.

The Committee believes it is appropriate for defense funding to play an equitable role in the overall framework of spending cuts and revenue increases necessary to replace Sequestration and stabilize the national debt. The defense portion of these reductions in growth can be achieved in conjunction with the changes announced in the 2010 National Security Strategy and the 2012 DOD strategic guidance documents "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense," and "Defense Budget Priorities and Choices."

The budget resolution also includes a deficit-neutral reserve fund to support expanding DOD auditability and acquisition reform efforts, including limiting the use of incremental funding and promoting appropriate contract choices.

The budget resolution includes a deficit-neutral reserve fund that would allow for additional OCO funding if it is paid for. It is the Committee's intent that this fund be used to support and meet the needs of the President's strategy. The fund would also be available to ensure fiscal responsibility with respect to unforeseen or ongoing OCO costs.

Function 150: International Affairs

Function Summary

The International Affairs function includes funding for the Department of State, the US Agency for International Development, as well as programs related to international affairs in other agencies, such as the Department of Agriculture.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$47.9 billion for budget authority and \$47.5 billion for outlays for Function 150. Over the FY 2014-2018 period, BA totals \$240.3 billion, with \$234.9 billion in outlays. From FY 2014-2023, the function totals \$506.4 billion in BA and \$484.5 billion in outlays.

Of those totals, discretionary spending accounts for \$45.6 billion in BA and \$48.5 billion in outlays in FY 2014. Over five years, BA totals \$238.3 billion and outlays equal \$242.3 billion. From FY 2014-2023, the discretionary total for Function 150 is \$504.9 billion in BA and \$502.2 billion in outlays.

The budget resolution levels for mandatory spending are \$2.3 billion in BA and -\$1 billion in outlays in FY 2014. BA falls to \$2 billion and outlays drop to -\$7.4 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 150 is \$1.6 billion in BA and -\$17.7 billion in outlays.

Function 250: General Science, Space and Technology

Function Summary

Function 250 houses the National Science Foundation (NSF), programs at the National Aeronautics and Space Administration (NASA) except for aviation programs, and the Department of Energy's Office of Science. Funding for agencies in Function 250 is used to advance basic science and space research, development, and deployment.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$29.7 billion for budget authority and \$29.4 billion for outlays for Function 250. Over the FY 2014-2018 period, BA totals \$155.3 billion, with \$153.2 billion in outlays. From FY 2014-2023, the function totals \$329.4 billion in BA and \$323.8 billion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$29.6 billion in BA and \$29.3 billion in outlays. BA totals \$154.8 billion and outlays equal \$152.7 billion over five years. From FY 2014-2023, the discretionary total for Function 250 is \$328.4 billion in BA and \$322.8 billion in outlays.

The resolution totals for mandatory spending are roughly \$100 million in BA and outlays in FY 2014. BA and outlays increase to \$500 million over the FY 2014-2018 period and \$1 billion in BA and outlays over 10 years.

The Committee-reported resolution replaces the sequester and provides a reasonable increase in funding to the NSF to continue to support science research and development activities across the U.S., including in our nation's universities. The Committee-reported resolution increases funding for the Office of Science so that important programs, such as the Nuclear Physics program, will be fully funded. Lastly, it increases the amount of funding for NASA to more than \$18 billion across Functions 250 and 400 in support of important agency programs related to aeronautics, exploration, education, and research, including advanced composites technologies.

Function 270: Energy

Function Summary

Function 270 includes important energy and environmental programs in the Department of Energy (DOE), including the Office of Energy Efficiency and Renewable Energy and the Advanced Research Projects Agency for Energy. This function also includes federal electricity agencies, such as the Tennessee Valley Authority, federal Power Marketing Administrations, the Federal Energy Regulatory Commission, and the Nuclear Regulatory Commission. The defense activities of DOE, including the restoration of highly contaminated nuclear sites related to DOE's national security programs, are contained in Function 050 (National Defense).

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$4.4 billion for budget authority and \$5.3 billion for outlays for Function 270. Over the FY 2014-2018 period, BA totals \$21.4 billion, with \$20.7 billion in outlays. From FY 2014-2023, the function totals \$45.8 billion in BA and \$44.1 billion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$5.1 billion in BA and \$6.6 billion in outlays. BA totals \$26.4 billion and outlays equal \$28.2 billion over five years. From FY 2014-2023, the discretionary total for Function 270 is \$56.1 billion in BA and \$57.2 billion in outlays.

The resolution totals for mandatory spending are -\$0.7 billion in BA and -\$1.4 billion in outlays in FY 2014. BA is -\$5 billion and outlays total -\$7.4 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 270 is -\$10.3 billion in BA and -\$13.2 billion in outlays.

The resolution provides funding increases above sequester replacement for crucial energy efficiency programs, including the Weatherization Assistance Program, the State Energy Program, and the Federal Energy Management Program. It also contains a reserve fund for the implementation of legislation that would create innovative new ways to finance clean energy projects, including the use of Master Limited Partnerships. Lastly, it reinstitutes a fee on domestic nuclear utilities to help pay the cost of decontaminating and decommissioning the nation's federal nuclear research sites.

Function 300: Natural Resources and Environment

Function Summary

Function 300 contains agencies and programs that were established to help preserve the environment, protect species, improve air and water quality, and maintain our lands, coasts, and oceans. It includes agencies within the Department of the Interior such as the National Park Service, the Bureau of Reclamation, and the Bureau of Land Management. It also houses conservation, watershed, and species recovery programs in the Departments of Agriculture, Commerce, and Transportation. Lastly, Function 300 covers activities conducted by the Army Corps of Engineers and the Environmental Protection Agency.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$42.9 billion for BA and \$43 billion for outlays for Function 300. Over the FY 2014-2018 period, BA totals \$222.6 billion, with \$223.3 billion in outlays. From FY 2014-2023, the function totals \$474.5 billion in BA and \$473.5 billion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$38 billion in BA and \$39.9 billion in outlays. BA totals \$201.5 billion and outlays equal \$204.9 billion over five years. From FY 2014-2023, the discretionary total for Function 300 is \$435.1 in BA and \$434 billion in outlays.

The resolution totals for mandatory spending are \$4.9 billion in BA and \$3.1 billion in outlays in FY 2014. BA increases to \$21 billion and outlays rise to \$18.4 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 300 is \$39.4 billion in BA and outlays.

The resolution increases available funding for infrastructure and ecosystem restoration projects conducted by the Army Corps of Engineers, as well as create a reserve fund in order to fully spend Harbor Maintenance Tax collections from the Harbor Maintenance Trust Fund. The resolution provides flexibility for wildland firefighting while preserving programs to protect watersheds and legacy roads and trails. It protects our open spaces and makes them available for recreation, including hunting and fishing, by modifying authorities such as the Duck Stamp program. The Committee-reported resolution increases funding for the Environmental Protection Agency to help it fund restoration programs such as the Great Lakes Restoration Initiative; enforces vital environmental protections under authorities like the Clean Air Act and the Clean Water Act; and cleans up hazardous Superfund and brownfield sites. It ensures adequate resources are available to the Fish and Wildlife Service and the National Marine Fisheries Service to protect threatened and endangered species, such as Pacific Salmon populations through the Pacific Coastal Salmon Recovery Fund. It also increases funding for agencies that oversee domestic energy production to help continue the Administration's leasing policies while increasing oversight of environmental compliance and safety laws.

Mandatory spending in Function 300 increases compared to recent years because of a large increase in the expenditure of penalties related to the Deepwater Horizon tragedy and the ensuing clean-up effort. Meanwhile, the budget resolution allows for the responsible investment of receipts generated from domestic energy production for a variety of purposes. The resolution fully funds the Land and Water Conservation Fund and preserves rural communities in counties with large federal land holdings. It also implements several reforms at the Department of the Interior to better reflect the user-pays approach to managing energy production on federal lands.

The Committee adopted an amendment during consideration of the resolution to allow for sustainable forestry management.

Function 350: Agriculture

Function Summary

Function 350 contains several farm safety net programs, including crop insurance, direct and countercyclical payments, and dairy support programs. It also includes farm loan programs, agriculture research and extension activities, animal and plant health inspection programs, agriculture marketing programs, and the Grain Inspection, Packers and Stockyards Administration. In addition, it contains pest and disease management programs, including the National Clean Plant Network.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$22.6 billion for BA and \$21.1 billion for outlays for Function 350. Over the FY 2014-2018 period, BA totals \$101.8 billion, with \$98.7 billion in outlays. From FY 2014-2023, the function totals \$205.2 billion in BA and \$199.6 billion in outlays.

For discretionary spending, the budget resolution calls for FY 2014 levels of \$6 billion in BA and outlays. BA totals \$31.7 billion and outlays equal \$31.4 billion over five years. From FY 2014-2023, the discretionary total for Function 350 is \$68.5 billion in BA and \$67.6 billion in outlays.

The budget resolution totals for mandatory spending are \$16.6 billion in BA and \$15.2 billion in outlays in FY 2014. BA equals \$70.1 billion and outlays total \$67.3 billion over the FY 2014-2018

period. Over 10 years, the mandatory total for Function 350 is \$136.8 billion in BA and \$132 billion in outlays.

The Committee-reported resolution assumes \$23 billion in savings from mandatory spending by reforming agriculture programs while maintaining a strong safety net for American farmers and ranchers. The budget resolution supports the efforts of the Senate Agriculture Committee to write a new Farm Bill that will make significant reforms to farm programs while refocusing support on helping farmers manage risk. The budget resolution includes a deficit-neutral reserve fund to provide flexibility to the Agriculture Committee when writing the Farm Bill.

The discretionary funding levels included in the resolution allow for important investments in our country's agriculture sector. These levels support robust funding for agriculture research programs, such as the National Institute for Food and Agriculture and the Agricultural Research Service, to ensure that American agriculture continues to remain competitive in the global marketplace.

Function 370: Commerce and Housing Credit

Function Summary

This function includes mortgage credit, the Postal Service, deposit insurance, and other advancement of commerce. The Federal Housing Administration, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, and Department of Agriculture rural housing programs are included in this function. A number of other agencies are also funded or provided for, including offices and bureaus within the Department of Commerce, and independent agencies, including the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Federal Trade Commission, and the Federal Communications Commission.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$16.5 billion for budget authority and \$4.7 billion for outlays for Function 370. Over the FY 2014-2018 period, BA totals \$65.5 billion, with -\$10.2 billion in outlays. From FY 2014-2023, the function totals \$152.8 billion in BA and -\$27.3 billion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of -\$7.3 billion in BA and -\$6.8 billion in outlays. BA totals -\$26.2 billion and outlays equal -\$25.6 billion over five years. From FY 2014-2023, the discretionary total for Function 370 is -\$24.6 billion in BA and -\$24.7 billion in outlays.

The resolution totals for mandatory spending are \$23.8 billion in BA and \$11.5 billion in outlays in FY 2014. BA increases to \$91.7 billion and outlays rise to \$15.4 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 370 is \$177.3 billion in BA and -\$2.5 billion in outlays.

Programs and entities funded or provided for through Function 370 support a number of federal policies and priorities, ranging from federal policy aimed at promoting responsible homeownership to the expansion of broadband throughout the U.S.

The National Telecommunications and Information Administration, which is charged with expanding broadband access and adoption throughout the U.S., is included within Function 370. Also included is the Hollings Manufacturing Extension Partnership of the National Institute of Standards and Technology. The Manufacturing Extension Partnership's stated mission is to act as a strategic advisor to American small and mid-size manufacturers, driving growth and increased competitiveness for these manufacturers through innovation, business process improvements, and adoption of new technologies. As part of the program's ongoing review and improvement, having an appropriate cost structure requirement will help to ensure program effectiveness and longevity.

Building upon the Manufacturing Extension Partnership's support for small and mid-size manufacturers, the Small Business Administration is also largely funded through this function. With half of the nation's private sector workforce employed by small businesses, SBA lending programs and support for minority- and women-owned small businesses are critical to our economic recovery. That is why the resolution provides for increased funding to the Service Corps of Retired Executives (SCORE). SCORE is a non-profit association, comprised of over 12,000 volunteer business counselors, that provides small businesses with technical assistance, mentorship and other advisory services. The SBA supports SCORE's mission through a federal grant award and performs annual oversight of that award.

The Securities and Exchange Commission, and the Commodity Futures Trading Commission, are charged with implementation of the Wall Street Reform and Consumer Protection Act (Public Law 111-203), and collectively oversee critical components of the financial system, including the securities and derivatives markets, credit rating agencies, corporate disclosures, investment advisors, and hedge funds. Effective oversight and enforcement action is essential to the financial stability and the integrity of the financial system. Funding levels within Function 370 assume certain fees.

In addition to supporting the Manufacturing Extension Partnership, the Committee-reported resolution also includes a deficit-neutral reserve fund for broader investment in the manufacturing sector as a result of Committee action on the resolution. The reserve fund allows for investment through a combination of educational and research and development initiatives, public-private partnerships and other programs.

Function 400: Transportation

Function Summary

This budget function includes funding for surface, air, water and other modes of transportation. Most of the agencies and programs involved in transportation are part of the Department of Transportation, including the Federal Aviation Administration; the Federal Highway Administration; the Federal Transit Administration; the Federal Railroad Administration, including grants to the National Railroad Passenger Corporation; highway, motor carrier, pipeline and hazardous materials safety programs, and the Maritime Administration. The function also includes the aeronautical activities of the National Aeronautics and Space Administration, as well as certain agencies and programs at the Department of Homeland Security, including the Federal Air Marshals, the Transportation Security Administration, and the U.S. Coast Guard.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$88.6 billion for budget authority and \$94.6 billion for outlays for Function 400. Over the FY 2014-2018 period, BA totals \$447.6 billion, with \$478.6 billion in outlays. From FY 2014-2023, the function totals \$919.5 billion in BA and \$986 billion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$32.8 billion in BA and \$92.3 billion in outlays. BA totals \$174.2 billion and outlays equal \$472.8 billion over five years. From FY 2014-2023, the discretionary total for Function 400 is \$376.6 billion in BA and \$978.3 billion in outlays.

The resolution totals for mandatory spending are \$55.8 billion in BA and \$2.3 billion in outlays in FY 2014. BA increases to \$273.4 billion and outlays rise to \$5.8 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 400 is \$542.9 billion in BA and \$7.7 billion in outlays.

The discretionary funding levels included in the resolution allow for important investments in transportation infrastructure. They support Amtrak, which serves as the backbone for our nation's passenger rail service and provides an energy-efficient alternative for intercity travel in some of our most congested metropolitan areas. Importantly, this year Congress will consider reauthorization of the Passenger Rail Investment and Improvement Act of 2008. The discretionary funding levels also support investment in the FAA's modernization of its air traffic control system. The FAA's current system is outdated and inadequate to meet growing demand for air travel. Finally, the funding levels are necessary to continue funding for the Department of Transportation's TIGER program, which funds significant transportation projects across the country.

The mandatory funding levels included in the budget resolution are consistent with the authorizations provided in the Moving Ahead for Progress in the 21st Century Act (MAP-21), the latest authorization for highway, highway safety, and transit programs. (The budget resolution also includes sufficient discretionary outlays to accommodate the spending that would result from the funding provided in MAP-21.)

The budget resolution includes a reserve fund that allows for increased spending on transportation as long as the legislation does cause a net increase in the federal deficit. This reserve fund will help the relevant committees to begin their work on legislation to replace MAP-21, which expires at the end of fiscal year 2014. The Highway Trust Fund, which pays for most highway, highway safety, and transit programs, is expected to remain solvent through the life of MAP-21. The resolution anticipates that future legislation will ensure that the Highway Trust Fund will support those programs through the next authorization period. The reserve fund will also be available for investments in multi-modal, freight, and rail transportation.

The budget resolution also assumes an increase to aviation security fees consistent with the President's proposal. These fees offset the federal government's cost of providing aviation security.

Function 450: Community and Regional Development

Function Summary

The Community and Regional Development function includes several programs that provide assistance to state and local governments, including the Community Development Block Grant, several U.S. Department of Agriculture rural development programs, Bureau of Indian Affairs programs, Homeland

Security and Federal Emergency Management Agency grants, and the National Flood Insurance Program.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$25 billion for BA and \$29.8 billion for outlays for Function 450. Over the FY 2014-2018 period, BA totals \$129 billion, with \$146.9 billion in outlays. From FY 2014-2023, the function totals \$268.2 billion in BA and \$283.2 billion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$23.9 billion in BA and \$27.9 billion in outlays. BA totals \$124.5 billion and outlays equal \$140.8 billion over five years. From FY 2014-2023, the discretionary total for Function 450 is \$263.6 billion in BA and \$277.5 billion in outlays.

The resolution totals for mandatory spending are \$1 billion in BA and \$1.9 billion in outlays in FY 2014. BA equals \$4.5 billion and outlays total \$6.1 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 450 is \$4.5 billion in BA and \$5.8 billion in outlays.

The Committee-reported resolution includes \$10 billion for an Infrastructure Bank to help rebuild our nation's crumbling and antiquated infrastructure. The infrastructure investment reserve fund included in the Committee-reported resolution will also provide the relevant committees with more flexibility in developing an Infrastructure Bank.

The budget resolution includes additional funding for the Community Development Block Grant to help communities meet their urgent housing and community development needs. Additionally, it maintains key investments in communities through the Community Development Financial Institutions Fund, RUS Broadband programs, and the National Flood Insurance Program. The resolution also maintains important funding for the Bureau of Indian Affairs to fulfill commitments made to Tribes and American Indian and Alaska Native people and continues ongoing efforts to improve economic development and law enforcement.

Function 500: Education, Training, Employment, and Social Services

Function Summary

The Education, Training, Employment and Social Services function includes funding for the Department of Education, as well as programs in the Department of Health and Human Services (HHS) and the Department of Labor. This function provides funding for elementary and secondary, career and technical, and post-secondary educational programs; job training and employment services; children and family services; and statistical analysis and research related to these areas. It also contains funding for the Library of Congress and independent research and arts agencies.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$78.3 billion for budget authority and \$86.5 billion for outlays for Function 500. Over the FY 2014-2018 period, BA totals \$516.5 billion, with \$515.9 billion in outlays. From FY 2014-2023, the function totals \$1.13 trillion in BA and \$1.124 trillion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$94.3 billion in BA and \$95.1 billion in outlays. BA totals \$505.1 billion and outlays equal \$501 billion over five years. From FY 2014-2023, the discretionary total for Function 500 is \$1.069 trillion in BA and \$1.055 trillion in outlays.

The resolution totals for mandatory spending are -\$15.9 billion in BA and -\$8.6 billion in outlays in FY 2014. BA increases to \$11.4 billion and outlays rise to \$14.9 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 500 is \$61.4 billion in BA and \$69.2 billion in outlays.

Investments in education and training, from cradle to career, are some of the most important the federal government can make. To that end, the resolution protects discretionary education and job training funding from cuts, and reverses Sequestration, which would have devastating impacts on programs that serve at-risk children, students and adults.

There is increasing evidence that high-quality early childhood education programs, such as Head Start, are a solid investment, yielding 7-10 percent rate of return through better educational and life outcomes. Despite these benefits, many young children still do not have access to quality early education programs. The Committee-reported resolution provides expanded resources to invest in the long-term returns of early education, and provides a deficit-neutral reserve fund to accommodate development of a new program to support voluntary state pre-kindergarten programs through federal-state partnerships.

Moreover, decreased federal funding for education has drastic implications at the state and local level. Federal funding plays a crucial role in school districts across the country, promoting equity and providing support for at-risk students. Improving our nation's education system leads to an improvement in our economic situation through increased social mobility and earnings potential. These investments also need to be made to close the achievement gap that exists between the majority population and some subgroups of students.

The Committee-reported resolution calls for investments to build our human capital through programs targeting low-income students, such as Title I, and for innovative and effective strategies to reduce achievement gaps and improve student learning in early childhood programs, elementary schools, middle schools, and high schools. The Committee-reported resolution also funds programs to increase the number of students in science, technology and math and technical education programs so that they are prepared to meet the demands of a 21st century workforce.

Increasingly, new job opportunities in growing industries require post-secondary credentials or degrees. To that end, the Committee-reported resolution protects access for all students to pursue a higher education through student financial aid, especially low-income and underrepresented students. The Committee-reported resolution secures Pell grants by assuming \$23 billion for Pell grants will be maintained in the final appropriations bill for fiscal year 2013. Consistent with current law, additional funding for Pell grants can be spent in the next academic year. In fiscal year 2015, Pell grants will start running a shortfall under current enrollment projections. This budget provides discretionary appropriations to cover the Pell shortfall in FY 2015 and every year thereafter. Pell grants will increase in the academic year covered by this budget, for a maximum award of \$5,730.

The Committee-reported resolution maintains critical student aid programs and supports a permanent extension of the American Opportunity Tax Credit, which is scheduled to expire after 2017. The

Committee-reported resolution also provides a deficit-neutral reserve fund for higher education to facilitate enactment of legislation to keep college affordable.

The U.S. economy is facing challenges with a high unemployment rate, and a mismatch of skills between employers and employees. Among our nation's manufacturers, over 80 percent reported a skills gap and we continue to have critical shortages of skilled practitioners across the health care industry, which hurts American workers, businesses and the economy. The Committee-reported resolution creates further opportunities for young people and adults to expand their skills in order to obtain a high-skill, high-wage, or high-demand occupation in the 21st century global economy. Finally, the Committee-reported resolution acknowledges the contributions of continued funding for the Corporation for Public Broadcasting.

As a result of Committee action on the resolution, the Committee-reported resolution includes a deficit-neutral reserve fund to improve federal workforce development, job training and re-employment programs. In addition, the Committee-reported resolution includes a deficit-neutral reserve fund to address income inequality, which may include an increase in the minimum wage.

Function 550: Health

Function Summary

The Health function includes most direct health care service programs as well as funding for providing health services for under-served populations, protecting the health of the general population and workers in their places of employment, and promoting training for the health care workforce, and national biomedical research. The major programs in this function include Medicaid, the Children's Health Insurance Program (CHIP), the National Institutes of Health (NIH), the Food and Drug Administration (FDA), the Health Resources and Services Administration (HRSA), the Centers for Disease Control and Prevention (CDC), the Substance Abuse and Mental Health Services Administration (SAMHSA), the Indian Health Service (IHS), the Agency for Healthcare Research and Quality (AHRQ), Health Insurance Marketplace related spending, and health benefits for federal workers and retirees.

Summary of the Committee-Reported Resolution

The Committee-reported resolution sets fiscal year 2014 levels at \$420.3 billion for budget authority and \$415.6 billion for outlays for Function 550. Over the FY 2014-2018 period, BA totals \$2.736 trillion, with \$2.733 trillion in outlays. From FY 2014-2023, the function totals \$6.580 trillion in BA and \$6.559 trillion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$58.1 billion in BA and \$58.2 billion in outlays. BA totals \$301.4 billion and outlays equal \$299.3 billion over five years. From FY 2014-2023, the discretionary total for Function 550 is \$638.9 billion in BA and \$627.0 billion in outlays.

The resolution totals for mandatory spending are \$362.2 billion in BA and \$357.3 billion in outlays in FY 2014. BA totals \$2.435 trillion and outlays equal \$2.433 trillion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 550 is \$5.941 trillion in BA and \$5.932 trillion in outlays.

The resolution builds upon and secures the resources provided for Community Health Centers in the Patient Protection and Affordable Care Act (ACA; PL 111-148), recognizing the vital role of Community Health Centers in ensuring access to primary care in underserved areas of the country, including rural, urban, and frontier areas. Community Health Centers will continue to play a critical role as health reform implementation continues by serving as cost-effective health care homes for millions of the newly insured. It is only with adequate program funding that Community Health Centers will be able to improve access to health care and expand to additional high-need areas of the country. The resolution recognizes that since enactment of the ACA, budget cuts have significantly reduced discretionary funding for the Community Health Centers program and that current service levels have been maintained only by redirection of the ACA's mandatory expansion funding. This resolution calls for discretionary funds of \$2.2 billion and mandatory funds of \$2.2 billion to be spent in FY 2014, consistent with Congressional intent. It maintains flexibility for the Appropriations Committees to determine the appropriate level of growth for the program.

The resolution builds upon the significant resources provided for the National Health Service Corps in the ACA. The Committee-reported resolution provides for total funding of \$447 million to provide for an increase in the number of health professionals practicing in medically underserved areas, such as physicians, dentists, mental health providers, and nurse practitioners. These funds are especially critical this year in light of the growing and aging population and the upcoming insurance expansions.

The Committee-reported resolution reflects a commitment to develop and implement important measures to protect consumer and patient health, including the FDA Food Safety Modernization Act (PL 111-353) and the Food and Drug Administration Safety and Innovation Act. The Committee-reported resolution provides an increase to \$2.5 billion in discretionary funds to ensure that the products used by families are safe and effective.

The resolution also provides a deficit-neutral reserve fund that would permit the safe importation of prescription drugs approved by Food and Drug Administration from a specified list of countries.

While the Committee-reported resolution assumes \$10 billion in savings, it assumes no savings in this function come from shifting costs to states and it fully protects the expansion of health insurance coverage to nearly 30 million people under the Patient Protection and Affordable Care Act.

The Committee adopted three amendments during mark-up related to the programs included in Function 550. The first establishes a deficit-neutral reserve-fund related to the care of medically complex children in Medicaid. The other two require the Congressional Budget Office to prepare reports regarding the on-going budgetary effects of provisions enacted as part of the Affordable Care Act.

Function 570: Medicare

Function Summary

The Medicare function includes funding to administer and to provide benefits under the Medicare program. Medicare is a federal health insurance program that currently covers more than 50 million Americans aged 65 and older, as well as younger adults with disabilities or who suffer from end-stage renal disease.

Congress provides an annual appropriation for the costs of administering Medicare, including resources to conduct program integrity activities to guard against improper payments, fraud, and abuse. The remainder of spending in this function is mandatory and reflects payments to health care providers and private insurance plans, as well as beneficiary premiums and other receipts and payments to the Medicare trust funds, under the Part A Hospital Insurance (HI) program, the Part B Supplementary Medical Insurance (SMI) program, the Part C Medicare Advantage program, and the Part D Prescription Drug program.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$535.6 billion for budget authority and \$535.1 billion for outlays for Function 570. Over the FY 2014-2018 period, BA totals \$2.892 trillion, with \$2.890 trillion in outlays. From FY 2014-2023, the function totals \$6.835 trillion in BA and \$6.832 trillion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$6.7 billion in BA and \$6.6 billion in outlays. BA totals \$37.7 billion and outlays equal \$37.4 billion over five years. From FY 2014-2023, the discretionary total for Function 570 is \$88.6 billion in BA and \$87.9 billion in outlays. The Committee-reported resolution includes program integrity funding to combat waste, fraud, and abuse.

The resolution totals for mandatory spending are \$528.9 billion in BA and \$528.4 billion in outlays in FY 2014. BA totals \$2.854 trillion and outlays rise to \$2.853 trillion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 570 is \$6.746 trillion in BA and \$6.744 trillion in outlays.

The Committee-reported resolution builds on the critical health care delivery system reforms included in ACA. It includes mandatory savings of \$265 billion (relative to a current policy baseline) by further realigning incentives throughout the system, cutting waste and fraud, and seeking greater engagement across the health care system. The Committee-reported resolution assumes the costs of a permanent fix to the Medicare Sustainable Growth Rate (SGR) and the Medicare Sequestration replacement. In addition, the Committee-reported resolution includes a reserve fund for deficit-neutral legislation that would improve health care, which could be used for legislation addressing physician reimbursements, extending expiring Medicare, Medicaid, or other health provisions, improving health care delivery systems, and protecting access to outpatient therapy services.

Function 600: Income Security

Function Summary

Function 600 contains a range of programs that provide cash and in-kind supports to low-income Americans as well as other benefits through general retirement, disability, and pension programs (excluding Social Security and veterans' compensation programs), federal and military retirement programs, and unemployment compensation programs.

Major federal programs in this function include Unemployment Insurance, the Supplemental Nutrition Assistance Program (SNAP), child nutrition programs, Temporary Assistance to Needy Families (TANF), foster care, child support enforcement, child care, housing assistance, Low-Income Home Energy Assistance Program (LIHEAP), Supplemental Security Income, and spending for the

refundable portion of the Earned Income Tax Credit and the Child Tax Credit. Housing assistance under this function includes important initiatives like the Department of Housing and Urban Development's housing counseling assistance program, the HOME Investment Partnerships Program, and programs supporting public housing, vouchers, and assistance to individuals and families who are homeless.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$530.1 billion for BA and \$527 billion for outlays for Function 600. Over the FY 2014-2018 period, BA totals \$2.67 trillion, with \$2.648 trillion in outlays. From FY 2014-2023, the function totals \$5.637 trillion in BA and \$5.597 trillion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$65.2 billion in BA and \$66.5 billion in outlays. BA totals \$333.3 billion and outlays equal \$335 billion over five years. From FY 2014-2023, the discretionary total for Function 600 is \$705 billion in BA and \$702.3 billion in outlays.

The resolution totals for mandatory spending are \$464.9 billion in BA and \$460.5 billion in outlays in FY 2014. BA equals \$2.337 trillion and outlays total \$2.313 trillion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 600 is \$4.932 trillion in BA and \$4.895 trillion in outlays.

The Committee-reported resolution calls for no less than \$4.7 billion in discretionary funding for LIHEAP in 2014, equal to its funding level in 2011. It also includes an additional \$600 million above baseline for housing assistance. In addition, the resolution includes mandatory savings from prohibiting the use of federal funds to pay Unemployment Insurance benefits to millionaires. It also assumes a change to further prevent millionaires and individuals with substantial lottery or gambling winnings from receiving SNAP benefits. Consistent with other bipartisan plans, the budget assumes savings from federal employee and contractor reforms as well as changes to private pensions. The Committee-reported resolution also assumes the temporary enhancements to the Earned Income Tax Credit and Child Tax Credit first enacted in 2009 are permanently extended beyond their scheduled 2017 expiration.

In order to provide flexibility to the relevant committees to improve programs for low-income working families and children, the Committee-reported resolution includes deficit-neutral reserve fund for legislation related to TANF, child support enforcement programs, housing assistance, child welfare programs, or related programs that help families. The budget resolution also includes a reserve fund for deficit-neutral legislation related to child care assistance for working families, as well as reserve funds for deficit-neutral legislation related to unemployment compensation and Trade Adjustment Assistance, and also legislation that strengthens the pension system.

Function 650: Social Security

Function Summary

The Social Security function includes funding for the Old-Age, Survivors, and Disability Insurance (OASDI) programs, which provide earned Social Security benefits to nearly 60 million eligible retired workers, persons with disabilities, and their spouses and survivors. In addition, this function provides funding to the Social Security Administration (SSA) and the Office of the Inspector General (OIG) to administer the Social Security program and ensure program integrity.

Under provisions of the Congressional Budget Act of 1974 and the Budget Enforcement Act of 1990, the Old-Age and Survivors Insurance (OASI) trust fund and the Disability Insurance (DI) trust fund are off-budget and do not appear in the budget resolution totals. A small portion of spending in Function 650, the general fund transfer of income taxes on Social Security benefits to the trust funds, is considered on-budget and appears in the budget resolution totals.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$863.7 billion for budget authority and \$860 billion for outlays for Function 650. Over the FY 2014-2018 period, BA totals \$4.837 trillion, with \$4.814 trillion in outlays. From FY 2014-2023, the function totals \$11.271 trillion in BA and \$11.216 trillion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$5.8 billion in BA and \$5.9 billion in outlays. BA totals \$30.9 billion and outlays equal \$31.1 billion over five years. From FY 2014-2023, the discretionary total for Function 650 is \$67.5 billion in BA and \$67.4 billion in outlays. The Committee-reported resolution includes program integrity funding to combat waste, fraud, and abuse.

The resolution totals for mandatory spending are \$857.9 billion in BA and \$853.9 billion in outlays in FY 2014. BA increases to \$4.806 trillion and outlays rise to \$4.783 trillion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 650 is \$11.203 trillion in BA and \$11.149 trillion in outlays.

Function 700: Veterans Benefits and Services

Function Summary

The Veterans Benefits and Services function funds an array of critical programs for veterans and family members, including disability compensation, health care, homeless programs, education benefits, and others. Many programs in Function 700 are exempt from Sequestration. The Department of Veterans Affairs (VA), the Department of Labor's Veterans Employment and Training Service, the Court of Appeals for Veterans Claims, and the American Battle Monuments Commission are all funded out of Function 700. The three VA medical care accounts are authorized to receive advance appropriations pursuant to section 117 of title 38, United States Code.

Summary of the Committee-Reported Resolution

The budget resolution sets fiscal year 2014 levels at \$145.5 billion for budget authority and \$145.3 billion for outlays for Function 700. Over the FY 2014-2018 period, BA totals \$779.5 billion, with \$776.4 billion in outlays. From FY 2014-2023, the function totals \$1.688 trillion in BA and \$1.68 trillion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$63.1 billion in BA and \$62.9 billion in outlays. BA totals \$336.3 billion and outlays equal \$333.6 billion over five years. From FY 2014-2023, the discretionary total for Function 700 is \$730.9 billion in BA and \$723.8 billion in outlays.

The resolution totals for mandatory spending are \$82.4 billion in BA and \$82.3 billion in outlays in FY 2014. BA increases to \$443.2 billion and outlays rise to \$442.8 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 700 is \$956.8 billion in BA and \$956 billion in outlays.

These levels are above the CBO baseline to ensure sufficient funding for the critical programs contained in this function. The Committee believes providing America's veterans and their families with the care and benefits they need and have earned is an unbreakable commitment. In allocating funding within this function, priority should be given to those activities that provide direct benefits and care to veterans and their family members. The Committee believes there is ample room for VA to improve the efficiency of its operations and to reduce wasteful or ineffective spending. FY 2014 funds advance appropriations at the FY 2013 President's budget levels.

The budget resolution includes a reserve fund for legislation that benefits servicemembers and veterans by expanding eligibility for concurrent receipt, reducing or eliminating the Survivor Benefit Plan – Dependency and Indemnity Compensation offset, improving disability benefits or the efficiency of processing claims for such benefits, or addressing VA's infrastructure needs.

The Committee accepted by voice vote an amendment to add new language to section 309, the Deficit Neutral Reserve Fund for America's Servicemembers and Veterans. The amendment adds a new paragraph (5) that would allow the use of the reserve fund for legislation that improves employment or education programs for servicemembers transitioning out of the military. Such legislation could include addressing the translation of military training or credentials to civilian equivalents.

Function 750: Administration of Justice

Function Summary

This function funds the federal law enforcement activities at the Department of Justice (DOJ) including criminal investigations by the Federal Bureau of Investigation (FBI) and the Drug Enforcement Agency (DEA). The function also includes funding for border security and immigration services by the Department of Homeland Security (DHS). Additionally, the function includes funding for civil rights enforcement and prosecution; federal block, categorical, and formula law enforcement grant programs to state and local governments; prison construction and operation; the U.S. Attorneys; and the federal judiciary.

Summary of the Committee-Reported Resolution

The Committee-reported resolution sets fiscal year 2014 levels at \$66.5 billion for budget authority and \$55.4 billion for outlays for Function 750. Over the FY 2014-2018 period, BA totals \$304.6 billion, with \$304.5 billion in outlays. From FY 2014-2023, the function totals \$648.8 billion in BA and \$646.5 billion in outlays.

For discretionary spending, the resolution calls for FY 2014 levels of \$52.6 billion in BA and \$53.3 billion in outlays. BA totals \$281.2 billion and outlays equal \$282 billion over five years. From FY 2014-2023, the discretionary total for Function 750 is \$613.6 billion in BA and \$611.7 billion in outlays.

The resolution totals for mandatory spending are \$13.9 billion in BA and \$2.1 billion in outlays in FY 2014. BA increases to \$23.5 billion and outlays rise to \$22.5 billion over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 750 is \$35.2 billion in BA and \$34.8 billion in outlays.

The Committee-reported resolution provides targeted investments to keep our communities safe. The Community Oriented Policing Services (COPS) program provides grants to assist communities in hiring additional police officers. Additional funding contained in the resolution will help reverse recent cuts to the program and importantly, supplement local community policing efforts by placing more officers on the streets of our town and cities.

Congress recently passed and the President signed the reauthorization of the Violence Against Women Act. This bipartisan legislation reauthorizes critical programs that help keep victims safe and hold perpetrators accountable. It also strengthens the ability of the federal government, states, law enforcement, and service providers to combat domestic violence, dating violence, sexual assault, and stalking. The Act also extends these protections and services to tribal women, LGBT community members, immigrants, and women on college campuses. Following the enactment of this legislation, the Committee-reported resolution provides additional funding for these grants so the benefits of this bipartisan legislation can be realized.

The Committee-reported resolution increases the annual limit on the Crime Victims Fund consistent with the level in the FY 2013 Senate-reported Commerce-Justice-Science bill. These dedicated funds provide compensation and assistance to victims of crime and enjoy broad bipartisan support. The annual limit for these programs has remained level over the past several years despite increasing balance in the Fund. The resolution rejects proposals to cancel the unobligated balance in the Fund and instead supports raising the cap in a fiscally responsible manner to allow more of the funds to be available for their intended purpose. This is in stark contrast to the deep cuts to Function 750 mandatory spending included in the House-reported budget resolution. Since spending from the Crime Victims Fund accounts for the vast majority of mandatory spending in Function 750, the deep cuts found in the House-reported budget would be difficult to achieve without permanently capping the Fund or cancelling the balance.

Since 2001, domestic security funding has increased considerably, particularly Department of Homeland Security funding. After the attacks of September 11th, Congress dramatically increased government-wide homeland security funding, including funding the new Department of Homeland Security. The Committee-reported resolution seeks to capitalize on these tremendous investments by continuing to appropriately fund programs that have been critical to security gains while finding savings where possible. This will be necessary as the Department seeks to address aging port of entry infrastructure and meeting staffing needs to limit delays that adversely affect trade, tourism, immigration, and commerce.

Also over the past decade, Congress has learned strong security and rigorous enforcement are necessary to secure our borders, but security and enforcement alone are not sufficient for national immigration policy. With unprecedented investment in border security, Congress can finally consider bipartisan comprehensive immigration reform that focuses on families, fairness, and the needs of small business and industry, not just security and enforcement. Our current immigration laws are outdated and unworkable; the Committee-reported resolution lays the foundation for common sense comprehensive reform to be built on.

The Committee-reported resolution takes an additional step to protect the American people from threats to public health and safety by collecting a fee for inspection of international trash shipments at the U.S. border. The fee will help defray the cost of increasing the number of shipment inspections and the training of health and safety inspectors at the border.

Function 800: General Government

Function Summary

Function 800 includes the funding that allows the government to perform its administrative and legislative responsibilities. It is comprised of the activities of the Office of Personnel Management; the Legislative Branch; the Executive Office of the President; the central tax and fiscal operations of the Department of Treasury; general property and records management; general purpose fiscal assistance; and other general government activities.

Summary of the Committee-Reported Resolution

The Committee-reported resolution sets fiscal year 2014 levels at \$23.6 billion for BA and \$24.5 billion for outlays for Function 800. Over the FY 2014-2018 period, BA totals \$125 billion, with \$125 billion in outlays. From FY 2014-2023, the function totals \$270.8 billion in BA and \$267.5 billion in outlays.

For discretionary spending, the Committee-reported resolution calls for FY 2014 levels of \$17 billion in BA and \$17.5 billion in outlays. BA totals \$91.6 billion and outlays equal \$91.3 billion over five years. From FY 2014-2023, the discretionary total for Function 800 is \$202.1 billion in BA and \$198.8 billion in outlays.

The Committee-reported resolution totals for mandatory spending are \$6.6 billion in BA and \$7.1 billion in outlays in FY 2014. BA totals \$33.4 billion with \$33.7 billion in outlays over the FY 2014-2018 period. Over 10 years, the mandatory total for Function 800 is \$68.5 billion in BA and outlays.

The Committee-reported resolution seeks to ensure that the general government function is operating in the most efficient way possible. Examples of efforts to make government cost-effective include the following:

- Consistent with other bipartisan plans, the Committee-reported resolution assumes savings from federal employee and contractor reforms. These reforms will allow the government to find savings in a responsible and well-thought-out manner that will ensure government efficiency and performance targets.
- The Committee-reported resolution states support for the enactment of legislation to address tax fraud and identity theft. Billions in federal tax dollars are lost every year as a result of tax-related identity theft. The Internal Revenue Service (IRS) is currently reviewing and processing more than 600,000 cases of identity theft which have yet to be resolved. That number excludes the fraudulent refunds that will never be detected. An investigation by the Treasury Inspector General identified \$5.2 billion in identity theft-related fraudulent tax refunds issued by the IRS in 2011 alone. Combating and cracking down on tax-related identity theft will lower the budget deficit and reduce burdens on innocent victims and law-abiding taxpayers.

- The Committee-reported resolution includes a deficit-reduction reserve fund for legislation that saves money through the elimination, consolidation, or reform of federal programs or savings from the sale of federal property or the reduction of improper payments.

The Committee adopted an amendment to include “trade enforcement” in the deficit neutral reserve fund for trade and international agreements.

Additionally, several provisions were added during committee markup that addressed enhancing government efficiency and responsibility. These additions included a provision that would freeze member pay through FY2023 as well as a deficit-neutral reserve fund that would expand voter registration and access. An amendment to modify the deficit-reduction reserve fund for government reform and efficiency was added to encourage the use of performance data and scientifically rigorous evaluations. Reserve funds were also included to eliminate duplicative congressionally mandated reports, to expand financial transparency and to improve benefit processing at the Office of Personnel Management.

Function 900: Net Interest

Function Summary

The Net Interest function is entirely mandatory with no discretionary components. It consists primarily of the interest paid by the federal government to private and foreign government holders of U.S. Treasury securities. It includes the interest on the public debt after deducting the interest income received by the federal government from trust fund investments, loans and cash balances, and earnings of the National Railroad Retirement Investment Trust.

Summary of the Committee-Reported Resolution

The resolution calls for BA and outlays of \$244.0 billion for FY 2014 and \$1.759 trillion over five years. From FY 2014-2023, BA and outlays total \$5.213 trillion. This includes -\$98.7 billion in off-budget BA and outlays for FY 2014, -\$488.0 billion in off-budget BA and outlays over five years, and -\$1.041 trillion in off-budget BA and outlays over 10 years.

Function 920: Allowances

Function Summary

The Allowances function is used for planning purposes to address the budgetary effects of proposals or assumptions that cross several budget functions. Once such changes are enacted, the budgetary effects are distributed to the appropriate budget function. For simplicity, Function 920 in the Senate resolution includes the across the board increase in CBO’s baseline Function 990. It also includes funding for the jobs and infrastructure package. The funding is necessary to meet the critical needs of our nation’s infrastructure and workforce preparedness, and makes important investments that will lay the foundation for job growth and long-term economic development.

Summary of the Committee-Reported Resolution

The Senate resolution does not include any mandatory allowances over the FY 2014-2023 period. Discretionary allowances total \$32.1 billion in BA and \$39.3 billion in outlays for FY 2014 and -\$96.5 billion in BA and \$17.9 billion in outlays over five years. The resolution includes -\$478.9 billion in discretionary BA and -\$333.0 billion in outlays over.

Function 950: Undistributed Offsetting Receipts

Function Summary

The Undistributed Offsetting Receipts function includes major offsetting receipt items that would distort the funding levels of other functional categories if they were distributed to them. Examples of such items include the employer share of federal employee retirement benefits, outer continental shelf rents and royalties, and the sale of major assets.

Summary of the Committee-Reported Resolution

The Senate resolution does not include any discretionary undistributed offsetting receipts. Mandatory undistributed offsetting receipts total -\$92.3 billion in BA and outlays for FY 2014, -\$512.1 billion in BA and outlays over five years, and -\$1.132 trillion in BA and outlays over 10 years. This includes -\$16.3 billion in off-budget BA and outlays for FY 2014, -\$88.2 billion in off-budget BA and outlays over five years, and -\$194.8 billion in off-budget BA and outlays over 10 years.

The Congressional Budget Resolution

The annual budget resolution allows Congress to express its collective judgment on the overall level of spending, revenue, deficits, and debt, and the priorities and values within those totals. Upon adoption by the House and Senate, the budget resolution serves as a blueprint that guides subsequent Congressional consideration of legislation.

Section 301 of the Congressional Budget Act of 1974 (PL 93-344) sets forth the requirements of the budget resolution. As a concurrent resolution – a special legislative vehicle that applies only to the operations of the House and Senate – a budget resolution is not presented to the President for signature and does not have the force of law. As such, it does not directly change spending, revenues, deficit or debt levels, but does establish levels which are enforced by Congressional points of order.

The CBO Baseline

The baseline is a projection of spending, revenues, deficits, and debt under current laws and policies, and is the starting point for developing the annual budget resolution.

The Budget Committee uses as its baseline the projections made by the Congressional Budget Office (CBO) in its February 2013 report, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*. In most years, this information is updated following the release of the President's budget. As a result of the late adoption of the American Taxpayer Relief Act (ATRA) of 2012, passed by Congress at the end of the 112th Congress to extend certain expiring tax provisions and modify the Sequestration process for fiscal year 2013, among other things, as well as the delay in completing the FY 2013 appropriations process, the Office of Management and Budget (OMB) has yet to release the President's budget for fiscal year 2014.

In preparing its baseline projections, CBO followed the rules and guidelines contained in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act; PL 99-177), modified for consistency with the limits on discretionary spending and the Sequestration procedures (see following section for more information) set forth in the Budget Control Act of 2011 (BCA; PL 112-25).

For discretionary spending (which is controlled by annual appropriations acts), the baseline projections reflect the limits agreed to under the BCA, as further adjusted to accommodate the Sequestration procedures set forth under Title III of the BCA. At the account level, discretionary appropriations follow section 257 of the Deficit Control Act and are maintained at the annualized level for FY 2013 (as specified in the Continuing Appropriations Resolution, 2013, which continues funding for federal agencies and programs through March 27, 2013), adjusted for inflation. The baseline rules for extrapolating discretionary funding are the same for both regular appropriations and appropriations for emergencies and Overseas Contingency Operations. To maintain consistency with the overall levels set out under the BCA, CBO includes across-the-board adjustments in the national defense (050) and allowance (920) functions. These adjustments ensure that baseline discretionary spending is consistent, in total, with the BCA levels. The baseline includes a second set of adjustments to further adjust the discretionary spending levels set consistent with the BCA limits on discretionary spending to achieve the additional savings required through across-the-board cuts ("Sequestration") set forth in that Act.

For mandatory spending and revenues, which are usually governed by permanent law and do not require annual Congressional action, the baseline rules generally require that projections reflect current law, although there are exceptions. The Committee notes that the baseline and scoring rules combine to treat mandatory spending and revenue in a symmetrical and equivalent manner. Whether spending or revenue, the budget rules ensure consistency. That is, sunset dates are either ignored at both stages (scoring of legislation and baseline) or recognized at both stages. As with discretionary spending, from these levels, additional savings are directed to be achieved through Sequestration procedures under the BCA, beginning in FY 2013. A discussion of these savings follows.

Sequestration under the Budget Control Act of 2011

The Budget Control Act (BCA) enacted in August of 2011 directed the Joint Select Committee on Deficit Reduction (JSC) to produce a bill to reduce the deficit. In the event the JSC did not produce such legislation, the BCA provided that, in its place, there would be automatic, across-the-board cuts ("Sequestration") sufficient to reduce the deficit by a total of \$1.2 trillion, starting in FY 2013.

The BCA's formula for achieving these savings begins by reducing the \$1.2 trillion by 18 percent (\$216 billion) to account for the estimate of interest savings expected to flow from the spending cuts. This leaves \$984 billion that must be achieved through equal amounts of across-the-board spending cuts in each of the nine years between fiscal years 2013 and 2021, or about \$109 billion per year. ATRA lowered the size of the across-the-board reduction in FY 2013 by \$24 billion, offsetting those reductions with an equal mix of revenue and spending savings. Thus, for FY 2013, the annual cut is now a total of \$85 billion (rather than \$109 billion), divided equally between defense and nondefense spending.

The total annual spending cut of about \$109 billion for fiscal years 2014 through 2021 is also divided equally between defense and nondefense spending. Thus, for these years, each such category of spending must be reduced by roughly \$55 billion annually. Generally speaking, these cuts are divided

proportionately between the discretionary and *nonexempt* direct spending within each broad category. Since defense spending is largely discretionary and most direct spending is exempt, Sequestration primarily will affect discretionary spending (according to CBO, about \$790 billion, or 82 percent, of the remaining \$960 billion in non-interest savings will come from discretionary spending).

Reductions in discretionary spending in FY 2013 are occurring via a Sequestration order issued on March 1, 2013, that cancels budget authority provided for that year to specific accounts. In subsequent years (fiscal years 2014-2021), discretionary cuts are achieved by reducing the discretionary spending limits.

A large number of mandatory programs are exempt from Sequestration, including Social Security, Medicaid, and many programs that assist families with low incomes. There also are special rules that apply in some cases, such as a limit of 2 percent to the amount of cuts to Medicare in any one year. Because of the special rule regarding Medicare, CBO projects the impact of the Sequestration in three functions: 050 (national defense), 570 (Medicare), and 920 (allowances).

It is the policy of the resolution that Congress fully replace the BCA Sequestration process with a balanced mix of spending and revenue savings. As part of that replacement legislation, it is also the policy of the resolution that the discretionary spending limits should be revised consistent with the levels in the resolution. However, until the time that such legislation is enacted that modifies the statutory limits, the resolution will enforce the aggregates, allocations, and limits consistent with the statutory spending limits. If a measure becomes law that amends the statutory spending limits established under section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 or the enforcement procedures established under section 251A of that Act or section 901(e) of the American Taxpayer Relief Act of 2012, the Budget Chairman at that time may adjust the budgetary aggregates, allocations, and limits contained in the resolution, as necessary, to reflect the modified amounts.

Alternative, Current Policy Baseline

While the Committee used the economic and technical assumptions of CBO's February 2013 baseline in developing the resolution and will use that baseline for enforcing Congressional action, it presents an alternative, current policy baseline as a second benchmark from which to assess the effects of policy changes proposed by this resolution.

The Committee notes that the President's Fiscal Commission, the Bipartisan Policy Center's Debt Reduction Task Force, the House Budget Committee, and OMB each have developed their own versions of an alternative baseline for use at times in assessing the effects of proposed policies. In addition, in recognition of the uncertainty regarding future changes to laws and policies, CBO similarly has provided Congress with estimates of spending, revenue, deficits, and debt under an "alternative fiscal scenario" that adjusts its current law baseline for certain policy assumptions.

The Committee version of an alternative, current policy baseline modifies CBO's current law baseline as follows. First, it assumes extension of the expanded refundable tax relief provided in the American Recovery and Reinvestment Act of 2009. This modification affects both revenue and outlays.

Second, it removes the across-the-board spending reductions required by the BCA. (Note: that the resolution proposes to more than replace those spending reductions with a balanced mix of savings made elsewhere in the budget.) Third, it maintains Medicare's payment rates for physicians at the

current rate. Fourth, it removes the extrapolation of the emergency funding provided for disaster relief in FY 2013.

Fifth, it removes the extrapolation of funding for Overseas Contingency Operations (OCO) and sets the current policy baseline equal to the amount of funding in the resolution for OCO (to avoid the counting of savings from changes in such funding). Finally, the current policy baseline adjusts net interest to reflect the impact of these various changes to spending and revenue.

Because these adjustments include both additions and subtractions, they combine to add less than \$100 billion to the CBO February 2013 baseline deficits. The adjustments also are split roughly equally between changes in revenue and outlays. Consequently, the savings under the resolution total between roughly \$1.85 trillion in deficit reduction (relative to current law) and \$1.95 trillion in savings (relative to current policy). Note that these savings are before the inclusion of funding equal to \$100 billion for new jobs and infrastructure which, when included, lower the net savings to between roughly \$1.75 trillion (relative to current law) and \$1.85 trillion (relative to current law).

III. Revenue

Revenue

The Committee-reported resolution recognizes that the American Taxpayer Relief Act of 2012 (“ATRA”) – which is expected to increase revenues by about \$600 billion over the next 10 years by allowing tax rates to rise on the wealthiest Americans – represents a milestone in Democrats’ continuing efforts to tackle the deficit and debt with a balanced mix of responsible spending cuts and new revenue from those who can afford it most.

But it also acknowledges that more needs to be done to create a fairer and more efficient tax system that generates the revenue we need to reduce the deficit, while also keeping our promises to an expanding pool of retirees and a new generation of veterans and making the critical investments in our infrastructure and education systems that will drive broad-based and sustainable future economic growth. Very simply, our current tax code – even after ATRA – will not generate the revenue necessary to accomplish these vital objectives.

Looking ahead, the Committee-reported resolution takes the position that eliminating loopholes and cutting unfair and inefficient spending in the tax code for the wealthiest Americans and biggest corporations must be a significant element of a balanced and responsible deficit reduction plan. To help achieve its deficit reduction goals, the resolution includes budget reconciliation instructions, which create a fast-track process that instructs the Senate Finance Committee to report legislation that will reduce the deficit by \$975 billion (as measured relative to the current policy baseline) through changes to the tax code alone. Such legislation must be reported by October 1, 2013 and would not be subject to filibuster in the Senate.

It is the clear intent of the Committee-reported resolution that the savings found by eliminating loopholes and cutting unfair and inefficient spending in the tax code not increase tax burdens on middle class families or the most vulnerable Americans. These savings should come only from the wealthiest Americans and biggest corporations. Further to that end, the resolution assumes that the 2009 enhancements to various tax credits which benefit low-income and middle class families are permanently extended beyond their scheduled expiration after 2017.

The Committee-reported resolution also fully supports the goal of comprehensive tax reform – whether pursued through the reconciliation process or as a separate effort – that simplifies the tax code, increases fairness, generates economic growth, and improves the competitive position of U.S. businesses, if it is done in a way that is consistent with the revenue and progressivity goals of this budget.

The Committee adopted one amendment during mark-up related to revenue. That amendment establishes a deficit reduction reserve fund related to corporate income taxes, which may include measures that address loopholes used by large profitable corporations that pay no federal income tax.

IV. Budget Process and Other Matters

BUDGET PROCESS AND OTHER MATTERS

While budget procedures are no substitute for a bipartisan commitment to fiscal discipline, there are a number of budget enforcement provisions that can help put us back on a sound fiscal path.

Sec. 201 – Reconciliation Instruction.

The Committee-reported resolution includes a reconciliation instruction directing the Senate Finance Committee to report, by October 1, 2013, changes in laws within its jurisdiction to increase the total level of revenues by \$975 billion over the period of fiscal years 2013 through 2023.

Sec. 401 – Discretionary Spending Limits, Program Integrity Initiatives, and Other Adjustments.

The Committee-reported resolution would strengthen fiscal responsibility by establishing discretionary spending limits for 2013 and 2014, and enforcing them with a point of order in the Senate that can be waived only with 60 votes. The discretionary caps contain a “firewall” between security and nonsecurity spending for fiscal year 2013. The security category includes discretionary appropriations associated with agency budgets for the Department of Defense, the Department of Homeland Security, the Department of Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account, and all budget accounts in function 150 (international affairs). The nonsecurity category includes all other discretionary appropriations.

The discretionary caps also contain a firewall between a revised security category and a revised nonsecurity category for fiscal year 2014. The revised security category includes discretionary appropriations in budget function 050 (defense). The revised nonsecurity category includes all other discretionary appropriations. The point of order can be raised against legislation breaching the caps in either category.

The Committee-reported resolution permits adjustments to the discretionary spending limits, allocations, and aggregates for certain legislation making appropriations for emergency requirements, disability reviews and redeterminations, health care fraud and abuse control, disaster relief, and overseas contingency operations. These adjustments are consistent with those included in the BCA. The adjustments for overseas contingency operations are limited in the resolution to certain dollar amounts for each of fiscal years 2013 and 2014.

Sec. 402 – Advance Appropriations.

The Committee-reported resolution provides a supermajority point of order in the Senate against appropriations in 2014 bills that would first become effective in any year after 2014, and against appropriations in 2015 bills that would first become effective in any year after 2015. It does not apply against appropriations for veterans’ medical services, support, or facilities, or the Corporation for Public Broadcasting.

Additionally, there is an exemption for each of 2015 and 2016 of up to \$28.852 billion for the following:

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS IN THE SENATE

Labor, HHS:
 Employment and Training Administration
 Job Corps
 Education for the Disadvantaged
 School Improvement
 Special Education
 Career, Technical, and Adult Education
 Financial Services and General Government: Payment to Postal Service
 Transportation, Housing and Urban Development: Tenant-based Rental Assistance
 Project-based Rental Assistance

Sec. 403 – Adjustments for Sequestration or Sequestration Replacement.

Because the discretionary spending limits described above as well as aggregates and committee allocations must comply with the Budget Control Act of 2011 (BCA) until the sequestration process is replaced, the Committee-reported resolution permits adjustments to the allocations, aggregates, levels and limits in the resolution if the enforcement procedures, including sequestration, established by the BCA and modified by the American Taxpayer Relief Act of 2012 remain or go into effect. This section also allows for adjustments if a law is enacted that amends those enforcement procedures or the BCA discretionary spending limits contained in the Balanced Budget and Emergency Deficit Control Act of 1985. It also allows for adjustments for program integrity initiatives to fund anti-fraud activities or for legislation to fund investments that will lay the foundation for job growth and long-term economic development.

Sec. 404 – Senate Point of Order against Provisions of Appropriations Legislation that Constitute Changes in Mandatory Programs Affecting the Crime Victims Fund.

The Committee-reported resolution includes a new 60-vote point of order that applies to appropriations legislation containing one or more provisions that constitute a change in a mandatory program that affects the Crime Victims Fund, as defined by section 10601 of title 42, United States Code.

OTHER MATTERS**Sec. 501 – To Require Transparent Reporting on the Ongoing Costs to Taxpayers of Obamacare.**

The Committee-reported resolution directs the Congressional Budget Office, upon the release of its annual Update to the Budget and Economic Outlook, to report changes in direct spending and revenue associated with the Patient Protection and Affordable Care Act (Public Law 111-148) and the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), including the net impact on deficit, both with on-budget and off-budget effects.

Sec. 502 – To Require Fuller Reporting on Possible Costs to Taxpayers of Obamacare.

The Committee-reported resolution directs the Congressional Budget Office, upon the release of its annual update to the Budget and Economic Outlook, to provide an analysis of the budgetary effects of 30 percent, 50 percent, and 100 percent of Americans losing employer sponsored health insurance and accessing coverage through Federal or state exchanges.

V. Economics

Economics

Economic Projections and Assumptions

The Committee-reported resolution was prepared based on CBO's February 2013 baseline projections for the future path of the U.S. economy. CBO's projections are based on the current laws in place at the time that their projection was made.

CBO projects a continued economic recovery from the severe recession that began in December 2007. The economic outlook has improved considerably in many ways as a result of improving economic conditions and the American Taxpayer Relief Act of 2012. CBO expects real economic growth to average 2.7 percent per year through 2023. Real GDP growth is expected to slow in the first half of 2013 due to the expiration of the payroll tax cut, implementation of sequestration, and other fiscal tightening embodied in current law, but the economy is expected to avoid the recession that had been anticipated had the American Taxpayer Relief Act of 2012 not been passed. Growth is expected to pick up in the latter part of the year and accelerate over the next few years as the productive slack in the economy is eliminated. Real GDP is expected to reach potential GDP (CBO's estimate of the maximum sustainable level of output of the economy) in 2017, quicker than had been projected in August. As a fraction of potential GDP, the difference between potential and real GDP is expected to remain above 5 percent on a calendar year basis through 2014, suggesting that considerable slack in the domestic economy is expected to continue over the next several years.

The unemployment rate is expected to average 6.1 percent through 2023, with substantial moderation as the economy further recovers, ultimately subsiding to 5.2 percent by the end of 2023. GDP deflator inflation is expected to average 2.0 percent per year and CPI inflation is expected to average 2.1 percent from 2013-2023. Interest rates on 10-year Treasury notes are expected to climb higher as the economy recovers and the Federal Reserve eases out of its current monetary policies.

Comparison with Blue Chip Consensus Forecasts

For comparative purposes, the table that follows compares CBO's economic projections with those of the March 2013 Blue Chip Consensus (BC). Differences between the forecasts can reflect a number of factors including different modeling assumptions and different data availability at the time the forecast was made (CBO's projection was released in early February, while the Blue Chip Consensus was released in early March). Particularly noteworthy in recent years, different assumptions about the path of future fiscal policy have had a strong influence on projections that have been made. CBO is required to assume that future fiscal policies follow current law. The Blue Chip Consensus is an average of the forecasts produced by several dozen forecasters, and each forecaster may use a different set of policy assumptions in constructing their forecast (for example, in February 2013, 23 percent of the panelists surveyed by Blue Chip "assume a full budget sequestration beginning on March 1st," while the remaining forecasters used a different set of assumptions). Despite these differences, comparisons of BC and CBO projections can often be informative.

CBO and BC forecasts are quite similar in many respects in terms of averages over the forecast horizon. BC expects real GDP growth to average 2.6 percent over the eleven year period, with growth expectations a little bit higher during the next two years, but lower in the medium term, and higher again in the longer term. GDP deflator price inflation is broadly in line with CBO's expectation, although BC anticipates slightly higher Consumer Price (CPI-U) inflation in the short- and medium-term. BC projects the unemployment rate to come down more quickly than CBO has estimated, but it anticipates a higher unemployment rate in the long-term. The Blue Chip Consensus anticipates lower interest rates on 10-year Treasury notes after 2013 than CBO projects.

Comparison of Economic Assumptions					
Real GDP*	2013	2014	2015-2018 Average	2019-2023 Average	2013-23 Average
CBO	1.4%	2.6%	3.7%	2.3%	2.7%
Blue Chip	1.9%	2.7%	2.9%	2.5%	2.6%
<u>GDP Price Index*</u>					
CBO	1.5%	1.8%	2.1%	2.0%	2.0%
Blue Chip	1.7%	1.9%	2.1%	2.1%	2.0%
<u>CPI-U*</u>					
CBO	1.6%	1.9%	2.2%	2.3%	2.1%
Blue Chip	1.9%	2.1%	2.4%	2.3%	2.3%
<u>Unemployment Rate**</u>					
CBO	7.9%	7.8%	6.1%	5.4%	6.1%
Blue Chip	7.7%	7.3%	6.2%	5.6%	6.2%
<u>10-Year Treasury Note Rate**</u>					
CBO	2.1%	2.7%	4.5%	5.2%	4.4%
Blue Chip	2.1%	2.6%	4.2%	4.7%	4.1%
<u>Nominal GDP Growth*</u>					
CBO	2.9%	4.4%	5.9%	4.3%	4.8%
Blue Chip	3.6%	4.6%	5.0%	4.6%	4.7%
* year-over-year percent change					
** annual average					
Note: slight differences may appear due to rounding.					
Source: CBO; Blue Chip March 2013.					

VI. Reserve Funds

RESERVE FUNDS

Sec. 301 – Reserve Fund to Replace Sequestration. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that repeals or revises the enforcement procedures, including sequestration, established by the Budget Control Act of 2011.

Sec. 302 – Reserve Fund to Promote Employment and Job Growth. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation to promote employment and job growth, provide assistance to small business, the unemployed, or legislation related to trade, including Trade Adjustment Assistance programs, trade enforcement, or international agreements for economic assistance.

Sec. 303 – Reserve Fund to Assist Working Families and Children. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation related to the Social Services Block Grant (SSBG), the Temporary Assistance for Needy Families (TANF) program, child support enforcement programs, or related programs that provide a critical safety net. The reserve fund could also be used for legislation providing housing assistance, including working family rental assistance. In addition, the reserve fund could be used for legislation related to child welfare programs, including the Federal foster care payment system.

Sec. 304 – Reserve Fund for Early Childhood Education. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation related to pre-kindergarten programs serving low-income children, child care assistance for working families, or home visiting programs serving low-income mothers-to-be and low-income families.

Sec. 305 – Reserve Fund for Tax Relief. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that provides for tax relief, including extensions of expiring tax relief or refundable tax relief, relief that supports innovation by U.S. enterprises, or relief that expands the ability of startup companies to benefit from the credit for research and experimentation expenses.

Sec. 306 – Reserve Fund for Tax Reform. The Committee-reported resolution includes a reserve fund for legislation that reforms the Internal Revenue Code to ensure a sustainable revenue base that leads to a fairer, more progressive, and more efficient tax system than currently exists, and to a more competitive business environment for U.S. enterprises.

Sec. 307 – Reserve Fund to Invest in Clean Energy and Preserve the Environment. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that would invest in clean energy or preserve the environment. The reserve fund could be used for legislation related to the reduction of our Nation's dependence on imported energy, the investment of receipts from domestic energy production, energy conservation and renewable energy development, or new or existing approaches to clean energy financing. It could also be used for legislation related to the Low-Income Home Energy Assistance Program, Federal programs for land and water conservation and acquisition, or greenhouse gas emissions levels. It applies to legislation that preserves, restores, or protects the Nation's public lands, oceans, coastal areas, or aquatic systems. The reserve fund may also be used for legislation

implementing agreements between the U.S. and jurisdictions of the former Trust Territory, providing additional resources for wildland fire management activities, or restructuring the nuclear waste program.

Sec. 308 – Reserve Fund for Investments in America’s Infrastructure. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that would provide for Federal investment in America’s infrastructure, which may include projects for transportation, housing, energy, water, telecommunications, or financing through tax credit bonds.

Sec. 309 – Reserve Fund for America’s Servicemembers and Veterans. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that relates to the eligibility for both military retired pay and veterans’ disability compensation (concurrent receipt), the reduction or elimination of the offset between Survivor Benefit Plan annuities and Veterans’ Dependency and Indemnity Compensation, or the improvement of disability benefits or the process of evaluating and adjudicating benefit claims for members of the Armed Forces or veterans. It may also be used for legislation addressing the infrastructure needs of the Department of Veterans Affairs, or for legislation to support the transition of servicemembers to the civilian workforce.

Sec. 310 – Reserve Fund for Higher Education. The Committee-reported resolution includes a deficit-neutral reserve fund that provides for making higher education more accessible, which may include legislation to increase college enrollment and completion rates for low-income students or promote college savings.

Sec. 311 – Reserve Fund for Health Care. The Committee-reported resolution includes deficit-neutral reserve funds for legislation that would improve health care. The reserve funds could be used for legislation that increases payments made under, or permanently reforms or replaces, the Medicare Sustainable Growth Rate (SGR) formula. The reserve funds could also be used for legislation that extends expiring Medicare, Medicaid, or other health provisions. They could also be used for legislation that promotes improvements to health care delivery systems, which may include changes that increase care quality, encourage efficiency, or improve care coordination. Legislation making such changes must improve the fiscal sustainability of federal health spending over the long term. In addition, the reserve funds could be used for legislation protecting access to outpatient therapy services through measures such as repealing or increasing the current outpatient therapy caps. The reserve funds also apply to legislation relating to drug safety, which may include legislation that permits the safe importation of prescription drugs approved by the Food and Drug Administration from a list of specified countries.

Sec. 312 – Reserve Fund for Investment in Our Nation’s Counties and Schools. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that would change or reauthorize the Secure Rural Schools and Community Self Determination Act of 2000, change the Payments in Lieu of Taxes Act of 1976, or both.

Sec. 313 – Reserve Fund for a Farm Bill. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that reauthorizes the Food, Conservation, and Energy

Act of 2008 or prior acts, authorizes similar or related programs, or provides for revenue changes, or any combination of those purposes.

Sec. 314 – Reserve Fund for Investments in Water Infrastructure and Resources. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that provides for water infrastructure programs, which may include flood control and storm damage reduction, navigation, environmental restoration, wastewater, drinking water, or water supply programs. The reserve fund also includes legislation that makes changes to the collection and expenditure of the Harbor Maintenance Tax in order to address the land border loophole and to ensure that funds collected are spent on their intended uses.

Sec. 315 – Reserve Fund for Pension Reform. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that strengthens and reforms the pension system.

Sec. 316 – Reserve Fund for Housing Finance Reform. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that promotes appropriate access to mortgage credit for individuals and families or examines the role of government in the secondary mortgage market, which may include legislation to restructure government-sponsored enterprises or provide for mortgage refinancing opportunities.

Sec. 317 – Reserve Fund for National Security. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that supports Department of Defense auditability and acquisition reform efforts.

Sec. 318 – Reserve Fund for Overseas Contingency Operations. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that provides additional funding for Overseas Contingency Operations.

Sec. 319 – Reserve Fund for Terrorism Risk Insurance. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that makes changes to or provides for the reauthorization of the Terrorism Risk Insurance Act.

Sec. 320 – Reserve Fund for Postal Reform. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation to strengthen and reform the United States Postal Service.

Sec. 321 – Reserve Fund for Government Reform and Efficiency. The Committee-reported resolution includes a deficit-reduction reserve fund that would authorize the Chairman of the Budget Committee to revise committee allocations, revise aggregates other appropriate levels in the resolution, and make adjustments to the Senate's PAYGO ledger, upon enactment of legislation that saves money through the use of performance data or scientifically rigorous evaluation methodologies for the elimination, consolidation, or reform of Federal programs, agencies, offices, and initiatives, or the sale of Federal property, or the reduction of improper payments.

Sec. 322 – Reserve Fund to Improve Federal Benefit Processing. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation related to business process changes at the Office of Personnel Management, which may include processing times for federal employee benefits or other efficiencies or operational changes.

Sec. 323 – Reserve Fund for Legislation to Improve Voter Registration and the Voting Experience in Federal Elections. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation related to the improvement of voter registration and the voting experience in Federal elections, which may include funding measures or other measures addressing voter registration or election reform.

Sec. 324 – Reserve Fund to Promote Corporate Tax Fairness. The Committee-reported resolution includes a deficit-reduction reserve fund for legislation related to corporate income taxes, which may include measures addressing loopholes used by large profitable corporations that pay no federal income tax. The reserve fund authorizes the Chairman of the Committee on the Budget to make adjustments to the Senate’s PAYGO ledger to ensure that any deficit reduction achieved upon enactment of such legislation is used for deficit reduction only.

Sec. 325 – Reserve Fund for Improving Federal Forest Management. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation relating to the management of federal forest lands. Legislation may address the increase of timber production within sustainable levels, the protection of communities from wildfires, or the enhancement of forest resilience to insects or disease; or the improvement, protection, or restoration of watersheds and forest ecosystems.

Sec. 326 – Reserve Fund for Financial Transparency. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation to increase the transparency of financial and performance information for Federal agencies.

Sec. 327 – Reserve Fund to Promote Manufacturing in the United States. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation related to the investment in the U.S. manufacturing sector, which may include educational or research and development initiatives, public-private partnerships, or other programs.

Sec. 328 – Reserve Fund for Report Elimination or Modification. The Committee-reported resolution includes a deficit-reduction reserve fund for legislation that achieves savings through the elimination, modification, or the reduction in frequency of congressionally mandated reports from Federal agencies. The reserve fund authorizes the Chairman of the Committee on the Budget to make adjustments to the Senate’s PAYGO ledger to ensure that any deficit reduction achieved is used for deficit reduction only.

Sec. 329 – Reserve Fund for the Minimum Wage. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation relating to income inequality, which may include an increase in the minimum wage.

Sec. 330 – Reserve Fund to Improve Health Outcomes and Lower Costs for Children in Medicaid. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation related to preserving Medicaid’s role in protecting children’s health care. The reserve fund also provides for legislation to improve the health outcomes and lower costs for medically-complex children in Medicaid, which may include creating or expanding integrated delivery models or improving care coordination.

Sec. 331 – Reserve Fund to Improve Federal Workforce Development, Job Training, and Reemployment Programs. The Committee-reported resolution includes a deficit-neutral reserve fund for legislation that would reduce inefficient overlap, improve access, and enhance outcomes with federal workforce development, job training, and reemployment programs.

VII. Summary Tables

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Total Spending, Revenues, Deficit/Surplus, and Debt**

(\$s in billions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Summary													
Budget Authority	3,700.515	3,685.148	3,813.993	4,028.533	4,254.963	4,488.432	4,754.349	5,009.007	5,236.387	5,519.234	5,734.207	20,271.069	46,524.253
On	3,054.195	2,963.749	3,046.506	3,211.506	3,386.445	3,568.528	3,779.446	3,973.331	4,136.110	4,350.282	4,492.138	16,176.734	36,908.041
Off	646.320	721.399	767.487	817.027	868.518	919.904	974.903	1,035.676	1,100.277	1,168.952	1,242.069	4,094.335	9,616.212
Outlays	3,599.030	3,715.302	3,845.537	4,052.772	4,246.394	4,456.767	4,718.965	4,956.559	5,197.537	5,485.639	5,686.576	20,316.773	46,362.049
On	2,956.295	2,997.884	3,082.375	3,240.376	3,382.809	3,542.197	3,749.797	3,926.818	4,103.496	4,323.224	4,451.446	16,245.642	36,800.423
Off	642.735	717.418	763.162	812.396	863.585	914.570	969.168	1,029.741	1,094.041	1,162.415	1,235.130	4,071.131	9,561.626
Revenues	2,708.231	3,022.649	3,412.984	3,646.091	3,835.227	4,019.191	4,196.809	4,394.998	4,631.121	4,884.086	5,120.938	17,936.142	41,164.093
On	2,038.311	2,290.932	2,646.592	2,833.891	2,973.673	3,111.061	3,245.117	3,400.144	3,592.212	3,800.500	3,991.775	13,856.149	31,885.896
Off	669.920	731.717	766.392	812.200	861.554	908.130	951.691	994.855	1,038.909	1,083.586	1,129.163	4,079.994	9,278.197
Deficit (-)/Surplus	-890.799	-692.654	-432.553	-406.681	-411.167	-437.576	-522.156	-561.560	-566.416	-601.554	-565.638	-2,380.631	-5,197.955
On	-917.984	-706.952	-435.783	-406.486	-409.137	-431.136	-504.680	-526.674	-511.283	-522.724	-459.672	-2,389.493	-4,914.526
Off	27.185	14.299	3.230	-0.196	-2.031	-6.440	-17.477	-34.886	-55.132	-78.829	-105.967	8.863	-283.429
Debt Held by the Public	12,274.763	13,059.985	13,588.003	14,081.252	14,574.683	15,081.187	15,669.625	16,297.499	16,929.319	17,600.005	18,229.414	--	--
Public Debt	17,113.638	18,008.333	18,626.857	19,222.298	19,871.057	20,558.744	21,312.959	22,094.877	22,863.179	23,634.787	24,364.925	--	--
By Function													
050 National Defense													
Budget Authority	648.215	560.243	567.553	575.019	582.648	590.411	598.867	607.454	616.137	625.569	636.480	2,875.874	5,960.382
Outlays	658.250	599.643	575.701	575.203	573.557	574.884	587.226	595.192	603.369	617.186	621.603	2,898.988	5,923.563
150 International Affairs													
Budget Authority	58.425	47.883	46.367	47.521	48.666	49.831	51.004	52.194	52.898	54.417	55.664	240.268	506.445
Outlays	48.716	47.508	46.830	46.580	46.792	47.157	47.707	48.729	49.801	51.209	52.212	234.867	484.525
250 General Science, Space, and Technology													
Budget Authority	29.154	29.700	30.301	31.019	31.749	32.508	33.264	34.030	34.795	35.590	36.396	155.277	329.352
Outlays	28.949	29.426	30.022	30.553	31.229	31.962	32.655	33.408	34.073	34.851	35.643	153.192	323.822
270 Energy													
Budget Authority	6.243	4.365	4.061	4.185	4.309	4.489	4.622	4.803	4.875	5.000	5.072	21.409	45.781
Outlays	9.122	5.264	4.068	3.543	3.786	4.079	4.312	4.536	4.696	4.862	4.913	20.739	44.057
300 Natural Resources and Environment													
Budget Authority	44.150	42.919	42.872	44.055	45.500	47.245	48.036	49.596	50.174	51.331	52.759	222.591	474.487
Outlays	41.682	43.021	43.165	44.994	45.681	47.014	48.112	49.435	50.074	50.862	51.703	223.274	473.460
350 Agriculture													
Budget Authority	22.373	22.550	20.180	19.717	19.780	19.613	19.908	20.379	20.588	21.105	21.421	101.841	205.242
Outlays	28.777	21.136	19.909	19.283	19.289	19.087	19.301	19.878	20.116	20.626	20.959	98.704	199.584
370 Commerce and Housing Credit													
Budget Authority	-28.243	16.463	11.005	11.396	12.122	14.532	17.204	17.316	17.444	17.583	17.705	65.518	152.770
Outlays	-22.249	4.670	-2.122	-3.827	-5.330	-3.631	-6.165	-5.907	-6.637	-1.648	-2.662	-10.240	-27.259
On Budget Authority	-30.498	16.201	10.733	11.112	11.827	14.224	16.885	16.984	17.099	17.226	17.334	64.097	149.625
Outlays	-24.504	4.408	-2.394	-4.110	-5.624	-3.938	-6.483	-6.238	-6.981	-2.004	-3.032	-11.658	-30.396
Off Budget Authority	2.255	0.262	0.272	0.284	0.295	0.308	0.319	0.332	0.345	0.357	0.371	1.421	3.145
Outlays	2.255	0.262	0.272	0.283	0.294	0.307	0.318	0.331	0.344	0.356	0.370	1.418	3.137
400 Transportation													
Budget Authority	100.501	88.556	88.419	89.319	90.186	91.115	91.977	93.143	94.330	95.586	96.864	447.595	919.495
Outlays	93.656	94.621	95.092	95.855	96.577	96.478	97.757	99.308	101.593	103.395	105.364	478.623	986.040
450 Community and Regional Development													
Budget Authority	51.911	24.992	25.362	25.808	26.360	26.442	26.610	27.212	27.828	28.461	29.098	128.964	268.173
Outlays	38.409	29.776	31.033	29.233	29.216	27.660	26.831	26.873	27.154	27.487	27.953	146.918	283.217

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Total Spending, Revenues, Deficit/Surplus, and Debt**

(\$s in billions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
500 Education, Training, Employment, and Social Services													
Budget Authority	77.536	78.349	89.537	106.927	117.961	123.744	119.139	120.411	122.546	124.565	126.825	516.518	1,130.004
Outlays	82.279	86.546	96.269	98.922	111.494	122.679	117.997	119.806	121.459	123.422	125.845	515.910	1,124.439
550 Health													
Budget Authority	365.206	420.326	500.356	554.680	611.908	648.773	685.879	732.529	764.934	808.026	852.829	2,736.043	6,580.240
Outlays	361.960	415.573	493.639	560.173	614.248	648.945	684.985	721.193	763.469	806.172	851.028	2,732.578	6,559.425
570 Medicare													
Budget Authority	511.692	535.596	540.503	586.873	602.495	626.619	687.071	734.468	782.452	855.410	883.491	2,892.086	6,834.978
Outlays	511.240	535.067	540.205	586.662	602.085	626.319	686.851	734.051	782.386	855.061	883.062	2,890.338	6,831.749
600 Income Security													
Budget Authority	544.094	530.103	528.197	537.117	536.006	538.914	565.188	578.159	592.348	611.644	619.422	2,670.337	5,637.098
Outlays	542.998	526.954	524.043	536.196	531.153	529.716	560.677	573.775	587.965	612.070	614.921	2,648.062	5,597.469
650 Social Security													
Budget Authority	819.671	863.662	911.971	963.610	1,019.139	1,078.577	1,142.818	1,211.643	1,283.195	1,358.477	1,437.469	4,836.959	11,270.561
Outlays	816.166	859.791	907.721	959.018	1,014.207	1,073.244	1,137.084	1,205.709	1,276.960	1,351.941	1,430.531	4,813.981	11,216.206
On Budget Authority	52.803	27.506	30.233	33.369	36.691	40.005	43.421	46.954	50.474	54.235	58.441	167.804	421.329
Outlays	52.883	27.616	30.308	33.407	36.691	40.005	43.421	46.954	50.474	54.235	58.441	168.027	421.552
Off Budget Authority	766.868	836.156	881.738	930.241	982.448	1,038.572	1,099.397	1,164.689	1,232.721	1,304.242	1,379.028	4,669.155	10,849.232
Outlays	763.283	832.175	877.413	925.611	977.516	1,033.239	1,093.663	1,158.755	1,226.486	1,297.706	1,372.090	4,645.954	10,794.654
700 Veterans Benefits and Services													
Budget Authority	140.646	145.488	150.218	162.493	161.405	159.902	171.529	176.188	180.118	191.846	188.517	779.506	1,687.704
Outlays	138.860	145.254	149.672	161.876	160.549	159.031	170.622	175.286	179.169	190.875	187.433	776.383	1,679.767
750 Administration of Justice													
Budget Authority	53.094	66.526	56.476	59.937	59.940	61.751	63.708	65.672	67.840	70.695	76.218	304.630	648.763
Outlays	57.120	55.445	57.912	62.665	65.090	63.405	63.959	65.153	67.246	70.066	75.564	304.516	646.504
800 General Government													
Budget Authority	24.000	23.616	24.258	24.995	25.640	26.497	27.377	28.210	29.089	29.996	30.900	125.006	270.578
Outlays	27.263	24.527	24.540	24.616	25.247	26.039	26.724	27.520	28.437	29.353	30.304	124.970	267.310
900 Net Interest													
Budget Authority	224.371	244.003	272.674	323.585	410.203	508.723	578.623	643.267	695.370	745.477	791.471	1,759.188	5,213.396
Outlays	224.371	244.003	272.674	323.585	410.203	508.723	578.623	643.267	695.370	745.477	791.471	1,759.188	5,213.396
On Budget Authority	331.271	342.703	370.274	419.485	506.103	608.623	683.623	752.067	806.870	859.077	905.971	2,247.188	6,254.796
Outlays	331.271	342.703	370.274	419.485	506.103	608.623	683.623	752.067	806.870	859.077	905.971	2,247.188	6,254.796
Off Budget Authority	-106.900	-98.700	-97.600	-95.900	-95.900	-99.900	-105.000	-108.800	-111.500	-113.600	-114.500	-488.000	-1,041.400
Outlays	-106.900	-98.700	-97.600	-95.900	-95.900	-99.900	-105.000	-108.800	-111.500	-113.600	-114.500	-488.000	-1,041.400
920 Allowances													
Budget Authority	99.868	32.073	1.469	-35.734	-42.592	-51.675	-61.088	-68.207	-76.108	-84.378	-92.680	-96.458	-478.920
Outlays	3.853	39.343	32.951	2.231	-20.217	-36.445	-48.906	-61.192	-70.697	-80.463	-89.556	17.863	-332.951
950 Undistributed Offsetting Receipts													
Budget Authority	-92.392	-92.265	-97.787	-103.989	-108.462	-109.579	-117.387	-119.461	-124.466	-127.164	-131.715	-512.082	-1,132.275
Outlays	-92.392	-92.265	-97.787	-103.989	-108.462	-109.579	-117.387	-119.461	-124.466	-127.164	-131.715	-512.082	-1,132.275
On Budget Authority	-76.489	-75.946	-80.864	-86.391	-90.137	-90.503	-97.574	-98.916	-103.177	-105.117	-108.885	-423.841	-937.510
Outlays	-76.489	-75.946	-80.864	-86.391	-90.137	-90.503	-97.574	-98.916	-103.177	-105.117	-108.885	-423.841	-937.510
Off Budget Authority	-15.903	-16.319	-16.923	-17.598	-18.325	-19.076	-19.813	-20.545	-21.289	-22.047	-22.830	-88.241	-194.765
Outlays	-15.903	-16.319	-16.923	-17.598	-18.325	-19.076	-19.813	-20.545	-21.289	-22.047	-22.830	-88.241	-194.765

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Mandatory Spending**

(\$s in billions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Summary													
Total Mandatory													
Budget Authority	2,404.414	2,564.662	2,702.975	2,928.001	3,139.959	3,356.476	3,605.401	3,841.656	4,050.672	4,314.472	4,508.544	14,692.073	35,012.818
Outlays	2,348.660	2,474.603	2,619.781	2,858.331	3,061.622	3,270.980	3,518.716	3,744.631	3,969.427	4,235.517	4,423.085	14,285.317	34,176.693
On-Budget													
Budget Authority	1,763.992	1,849.307	1,941.726	2,117.432	2,278.126	2,443.497	2,637.661	2,813.382	2,958.041	3,153.418	3,274.635	10,630.088	25,467.225
Outlays	1,711.838	1,763.248	1,862.832	2,052.362	2,204.689	2,363.301	2,556.676	2,722.257	2,882.996	3,080.963	3,196.076	10,246.432	24,685.400
Off-Budget													
Budget Authority	640.422	715.355	761.249	810.569	861.833	912.979	967.740	1,028.274	1,092.631	1,161.054	1,233.909	4,061.985	9,545.593
Outlays	636.822	711.355	756.949	805.969	856.933	907.679	962.040	1,022.374	1,086.431	1,154.554	1,227.009	4,038.885	9,491.293
By Function													
050 National Defense													
Budget Authority	7.909	8.243	8.377	8.574	8.839	9.142	9.461	9.796	10.112	10.453	10.717	43.175	93.714
Outlays	7.956	8.243	8.465	8.661	8.917	9.215	9.530	9.868	10.186	10.525	10.783	43.501	94.393
150 International Affairs													
Budget Authority	3.722	2.307	-0.150	-0.089	-0.036	-0.020	0.027	0.071	-0.374	-0.080	-0.062	2.012	1.594
Outlays	-1.257	-1.012	-1.072	-1.381	-1.856	-2.110	-2.105	-2.126	-2.138	-1.908	-1.958	-7.431	-17.666
250 General Science, Space, and Technology													
Budget Authority	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.500	1.000
Outlays	0.116	0.105	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.505	1.005
270 Energy													
Budget Authority	1.306	-0.714	-1.078	-1.081	-1.090	-1.042	-1.044	-0.995	-1.060	-1.080	-1.145	-5.005	-10.329
Outlays	0.642	-1.368	-1.667	-1.564	-1.468	-1.348	-1.261	-1.161	-1.123	-1.088	-1.115	-7.415	-13.163
300 Natural Resources and Environment													
Budget Authority	3.163	4.879	3.840	3.809	4.035	4.479	3.968	4.254	3.518	3.293	3.332	21.042	39.407
Outlays	2.422	3.093	2.832	3.480	4.174	4.811	4.776	4.836	4.191	3.648	3.597	18.390	39.438
350 Agriculture													
Budget Authority	16.490	16.565	14.027	13.379	13.247	12.879	12.975	13.246	13.248	13.550	13.650	70.098	136.767
Outlays	22.979	15.179	13.831	13.029	12.844	12.444	12.460	12.838	12.874	13.171	13.291	67.327	131.961
370 Commerce and Housing Credit													
Budget Authority	-18.017	23.760	17.123	16.916	16.849	17.041	18.070	17.773	17.249	16.593	15.966	91.689	177.340
Outlays	-13.064	11.458	3.725	1.717	-0.525	-0.990	-5.162	-5.311	-0.686	-2.492	-4.248	15.385	-2.514
On Budget Authority	-20.017	23.760	17.123	16.916	16.849	17.041	18.070	17.773	17.249	16.593	15.966	91.689	177.340
Outlays	-15.064	11.458	3.725	1.717	-0.525	-0.990	-5.162	-5.311	-0.686	-2.492	-4.248	15.385	-2.514
Off Budget Authority	2.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	2.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
400 Transportation													
Budget Authority	55.083	55.751	54.690	54.526	54.312	54.094	53.823	53.857	53.898	53.960	54.007	273.373	542.918
Outlays	2.368	2.305	1.178	1.008	0.789	0.563	0.297	0.323	0.360	0.419	0.463	5.843	7.705
450 Community and Regional Development													
Budget Authority	5.388	1.047	1.028	0.998	0.971	0.450	0.011	0.010	0.011	0.012	0.011	4.494	4.549
Outlays	10.184	1.859	1.558	1.231	1.037	0.408	-0.117	-0.105	-0.095	-0.022	0.005	6.093	5.759
500 Education, Training, Employment, and Social Services													
Budget Authority	-14.879	-15.945	-7.431	3.248	13.975	17.575	10.928	10.030	9.700	9.630	9.705	11.422	61.415
Outlays	-4.963	-8.603	-6.370	1.905	10.821	17.114	11.487	11.179	10.762	10.444	10.448	14.867	69.187

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Mandatory Spending**

(\$s in billions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
550 Health													
Budget Authority	308.924	362.221	441.452	494.531	550.499	585.925	621.503	666.621	697.483	738.967	782.144	2,434.628	5,941.346
Outlays	303.794	357.347	434.624	500.438	553.478	587.394	622.240	657.174	698.045	739.196	782.467	2,433.281	5,932.403
570 Medicare													
Budget Authority	505.380	528.938	533.435	579.359	594.506	618.127	678.045	724.889	772.297	844.660	872.115	2,854.365	6,746.371
Outlays	504.958	528.434	533.193	579.210	594.162	617.897	677.900	724.550	772.313	844.394	871.774	2,852.896	6,743.827
600 Income Security													
Budget Authority	481.850	464.905	462.488	470.791	468.741	470.156	494.548	505.604	517.978	535.444	541.443	2,337.081	4,932.098
Outlays	477.822	460.483	457.440	469.717	464.004	461.384	490.746	502.073	514.486	536.849	537.965	2,313.028	4,895.147
650 Social Security													
Budget Authority	814.028	857.880	906.005	957.436	1012.749	1071.960	1135.974	1204.573	1275.894	1350.936	1429.680	4,806.030	11,203.087
Outlays	810.428	853.880	901.705	952.836	1007.849	1066.660	1130.274	1198.673	1269.694	1344.436	1422.780	4,782.930	11,148.787
On Budget Authority	52.803	27.506	30.233	33.369	36.691	40.005	43.421	46.954	50.474	54.235	58.441	167.804	421.329
Outlays	52.803	27.506	30.233	33.369	36.691	40.005	43.421	46.954	50.474	54.235	58.441	167.804	421.329
Off Budget Authority	761.225	830.374	875.772	924.067	976.058	1,031.955	1,092.553	1,157.619	1,225.420	1,296.701	1,371.239	4,638.226	10,781.758
Outlays	757.625	826.374	871.472	919.467	971.158	1,026.655	1,086.853	1,151.719	1,219.220	1,290.201	1,364.339	4,615.126	10,727.458
700 Veterans Benefits and Services													
Budget Authority	77.716	82.433	85.245	95.356	92.024	88.151	97.444	99.735	101.270	110.515	104.616	443.209	956.789
Outlays	77.582	82.314	85.146	95.273	91.953	88.085	97.380	99.669	101.198	110.429	104.519	442.771	955.966
750 Administration of Justice													
Budget Authority	1.839	13.914	2.267	3.837	1.866	1.592	1.484	1.370	1.424	2.082	5.324	23.476	35.160
Outlays	4.306	2.098	3.332	6.469	7.061	3.583	2.138	1.411	1.396	2.039	5.274	22.543	34.801
800 General Government													
Budget Authority	7.468	6.640	6.669	6.716	6.631	6.722	6.848	6.916	7.020	7.125	7.184	33.378	68.471
Outlays	9.375	7.050	6.874	6.606	6.541	6.625	6.797	6.834	6.960	7.064	7.183	33.697	68.537
900 Net Interest													
Budget Authority	224.371	244.003	272.674	323.585	410.203	508.723	578.623	643.267	695.370	745.477	791.471	1,759.188	5,213.396
Outlays	224.371	244.003	272.674	323.585	410.203	508.723	578.623	643.267	695.370	745.477	791.471	1,759.188	5,213.396
On Budget Authority	331.271	342.703	370.274	419.485	506.103	608.623	683.623	752.067	806.870	859.077	905.971	2,247.188	6,254.796
Outlays	331.271	342.703	370.274	419.485	506.103	608.623	683.623	752.067	806.870	859.077	905.971	2,247.188	6,254.796
Off Budget Authority	-106.900	-98.700	-97.600	-95.900	-95.900	-99.900	-105.000	-108.800	-111.500	-113.600	-114.500	-488.000	-1,041.400
Outlays	-106.900	-98.700	-97.600	-95.900	-95.900	-99.900	-105.000	-108.800	-111.500	-113.600	-114.500	-488.000	-1,041.400
920 Allowances													
Budget Authority	14.965	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	1.033	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
950 Undistributed Offsetting Receipts													
Budget Authority	-92.392	-92.265	-97.787	-103.989	-108.462	-109.579	-117.387	-119.461	-124.466	-127.164	-131.715	-512.082	-1,132.275
Outlays	-92.392	-92.265	-97.787	-103.989	-108.462	-109.579	-117.387	-119.461	-124.466	-127.164	-131.715	-512.082	-1,132.275
On Budget Authority	-76.489	-75.946	-80.864	-86.391	-90.137	-90.503	-97.574	-98.916	-103.177	-105.117	-108.885	-423.841	-937.510
Outlays	-76.489	-75.946	-80.864	-86.391	-90.137	-90.503	-97.574	-98.916	-103.177	-105.117	-108.885	-423.841	-937.510
Off Budget Authority	-15.903	-16.319	-16.923	-17.598	-18.325	-19.076	-19.813	-20.545	-21.289	-22.047	-22.830	-88.241	-194.765
Outlays	-15.903	-16.319	-16.923	-17.598	-18.325	-19.076	-19.813	-20.545	-21.289	-22.047	-22.830	-88.241	-194.765

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending**

(\$s in billions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
Summary													
Total Discretionary													
Budget Authority	1,296.101	1,120.486	1,111.018	1,100.532	1,115.004	1,131.957	1,148.948	1,167.350	1,185.715	1,204.762	1,225.663	5,578.997	11,511.436
Outlays	1,250.370	1,240.699	1,225.756	1,194.441	1,184.772	1,185.787	1,200.249	1,211.927	1,228.109	1,250.122	1,263.491	6,031.456	12,185.355
Defense													
Budget Authority	640.306	552.000	559.176	566.445	573.809	581.269	589.406	597.658	606.025	615.116	625.763	2,832.699	5,866.668
Outlays	650.294	591.400	567.236	566.542	564.640	565.669	577.696	585.324	593.183	606.661	610.820	2,855.487	5,829.170
Nondefense													
Budget Authority	655.795	568.486	551.842	534.087	541.195	550.688	559.542	569.692	579.690	589.646	599.900	2,746.298	5,644.768
Outlays	600.076	649.299	658.520	627.899	620.133	620.118	622.553	626.603	634.927	643.462	652.671	3,175.969	6,356.185
By Function													
050 National Defense													
Budget Authority	640.306	552.000	559.176	566.445	573.809	581.269	589.406	597.658	606.025	615.116	625.763	2,832.699	5,866.668
Outlays	650.294	591.400	567.236	566.542	564.640	565.669	577.696	585.324	593.183	606.661	610.820	2,855.487	5,829.170
150 International Affairs													
Budget Authority	54.703	45.576	46.517	47.610	48.702	49.851	50.977	52.123	53.272	54.497	55.726	238.256	504.851
Outlays	49.973	48.520	47.902	47.961	48.648	49.267	49.812	50.855	51.939	53.117	54.170	242.298	502.191
250 General Science, Space, and Technology													
Budget Authority	29.054	29.600	30.201	30.919	31.649	32.408	33.164	33.930	34.695	35.490	36.296	154.777	328.352
Outlays	28.833	29.321	29.922	30.453	31.129	31.862	32.555	33.308	33.973	34.751	35.543	152.687	322.817
270 Energy													
Budget Authority	4.937	5.079	5.139	5.266	5.399	5.531	5.666	5.798	5.935	6.080	6.217	26.414	56.110
Outlays	8.480	6.632	5.735	5.107	5.254	5.427	5.573	5.697	5.819	5.950	6.028	28.154	57.220
300 Natural Resources and Environment													
Budget Authority	40.987	38.040	39.032	40.246	41.465	42.766	44.068	45.342	46.656	48.038	49.427	201.549	435.080
Outlays	39.260	39.928	40.333	40.914	41.507	42.203	43.336	44.599	45.883	47.214	48.106	204.884	434.022
350 Agriculture													
Budget Authority	5.883	5.985	6.153	6.338	6.533	6.734	6.933	7.133	7.340	7.555	7.771	31.743	68.475
Outlays	5.798	5.957	6.078	6.254	6.445	6.643	6.841	7.040	7.242	7.455	7.668	31.377	67.623
370 Commerce and Housing Credit													
Budget Authority	-10.226	-7.297	-6.118	-5.520	-4.727	-2.509	-0.866	-0.457	0.195	0.990	1.739	-26.171	-24.570
Outlays	-9.185	-6.788	-5.847	-5.544	-4.805	-2.641	-1.003	-0.596	0.049	0.844	1.586	-25.625	-24.745
On													
Budget Authority	-10.481	-7.559	-6.390	-5.804	-5.022	-2.817	-1.185	-0.789	-0.150	0.633	1.368	-27.592	-27.715
Outlays	-9.440	-7.050	-6.119	-5.827	-5.099	-2.948	-1.321	-0.927	-0.295	0.488	1.216	-27.043	-27.882
Off													
Budget Authority	0.255	0.262	0.272	0.284	0.295	0.308	0.319	0.332	0.345	0.357	0.371	1.421	3.145
Outlays	0.255	0.262	0.272	0.283	0.294	0.307	0.318	0.331	0.344	0.356	0.370	1.418	3.137
400 Transportation													
Budget Authority	45.418	32.805	33.729	34.793	35.874	37.021	38.154	39.286	40.432	41.626	42.857	174.222	376.577
Outlays	91.288	92.316	93.914	94.847	95.788	95.915	97.460	98.985	101.233	102.976	104.901	472.780	978.335
450 Community and Regional Development													
Budget Authority	46.523	23.945	24.334	24.810	25.389	25.992	26.599	27.202	27.817	28.449	29.087	124.470	263.624
Outlays	28.225	27.917	29.475	28.002	28.179	27.252	26.948	26.978	27.249	27.509	27.948	140.825	277.458
500 Education, Training, Employment, and Social Services													
Budget Authority	92.415	94.294	96.968	103.679	103.986	106.169	108.211	110.381	112.846	114.935	117.120	505.096	1,068.589
Outlays	87.242	95.149	102.639	97.017	100.673	105.565	106.510	108.627	110.697	112.978	115.397	501.043	1,055.252

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending**

(\$s in billions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-18	2014-23
550 Health													
Budget Authority	56.282	58.105	58.904	60.149	61.409	62.848	64.376	65.908	67.451	69.059	70.685	301.415	638.894
Outlays	58.166	58.226	59.015	59.735	60.770	61.551	62.745	64.019	65.424	66.976	68.561	299.297	627.022
570 Medicare													
Budget Authority	6.312	6.658	7.068	7.514	7.989	8.492	9.026	9.579	10.155	10.750	11.376	37.721	88.607
Outlays	6.282	6.633	7.012	7.452	7.923	8.422	8.951	9.501	10.073	10.667	11.288	37.442	87.922
600 Income Security													
Budget Authority	62.244	65.198	65.709	66.326	67.265	68.758	70.640	72.555	74.370	76.200	77.979	333.256	705.000
Outlays	65.176	66.471	66.603	66.479	67.149	68.332	69.931	71.702	73.479	75.221	76.956	335.034	702.322
650 Social Security													
Budget Authority	5.643	5.782	5.966	6.174	6.390	6.617	6.844	7.070	7.301	7.541	7.789	30.929	67.474
Outlays	5.738	5.911	6.016	6.182	6.358	6.584	6.810	7.036	7.266	7.505	7.751	31.051	67.419
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.080	0.110	0.075	0.038	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.223	0.223
Off Budget Authority	5.643	5.782	5.966	6.174	6.390	6.617	6.844	7.070	7.301	7.541	7.789	30.929	67.474
Outlays	5.658	5.801	5.941	6.144	6.358	6.584	6.810	7.036	7.266	7.505	7.751	30.828	67.196
700 Veterans Benefits and Services													
Budget Authority	62.930	63.055	64.973	67.137	69.381	71.751	74.085	76.453	78.848	81.331	83.901	336.297	730.915
Outlays	61.278	62.940	64.526	66.603	68.596	70.946	73.242	75.617	77.971	80.446	82.914	333.612	723.801
750 Administration of Justice													
Budget Authority	51.255	52.612	54.209	56.100	58.074	60.159	62.224	64.302	66.416	68.613	70.894	281.154	613.603
Outlays	52.814	53.347	54.580	56.196	58.029	59.822	61.821	63.742	65.850	68.027	70.290	281.973	611.703
800 General Government													
Budget Authority	16.532	16.976	17.589	18.279	19.009	19.775	20.529	21.294	22.069	22.871	23.716	91.628	202.107
Outlays	17.888	17.477	17.666	18.010	18.706	19.414	19.927	20.686	21.477	22.289	23.121	91.273	198.773
900 Net Interest													
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
920 Allowances													
Budget Authority	84.903	32.073	1.469	-35.734	-42.592	-51.675	-61.088	-68.207	-76.108	-84.378	-92.680	-96.458	-478.920
Outlays	2.820	39.343	32.951	2.231	-20.217	-36.445	-48.906	-61.192	-70.697	-80.463	-89.556	17.863	-332.951
950 Undistributed Offsetting Receipts													
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
990 Multi-Function													
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS**

\$ billions	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
Total Discretionary*													
Defense													
BA	640	552	559	566	574	581	589	598	606	615	626	2,833	5,867
OT	650	591	567	567	565	566	578	585	593	607	611	2,855	5,829
Nondefense													
BA	656	568	552	534	541	551	560	570	580	590	600	2,746	5,645
OT	600	649	659	628	620	620	623	627	635	643	653	3,176	6,356
Subtotal													
BA	1,296	1,120	1,111	1,101	1,115	1,132	1,149	1,167	1,186	1,205	1,226	5,579	11,511
OT	1,250	1,241	1,226	1,194	1,185	1,186	1,200	1,212	1,228	1,250	1,263	6,031	12,185
Mandatory Outlays	2,124	2,231	2,347	2,535	2,651	2,762	2,940	3,101	3,274	3,490	3,632	12,526	28,963
Net Interest Outlays	224	244	273	324	410	509	579	643	695	745	791	1,759	5,213
Total Outlays	3,599	3,715	3,846	4,053	4,246	4,457	4,719	4,957	5,198	5,486	5,687	20,317	46,362
Revenues	2,708	3,023	3,413	3,646	3,835	4,019	4,197	4,395	4,631	4,884	5,121	17,936	41,164
Change in Revenues**	0	20	40	55	70	82	96	116	135	150	160	267	923
Unified Deficit/Surplus	-891	-693	-433	-407	-411	-438	-522	-562	-566	-602	-566	-2,381	-5,198
% of GDP	-5.6%	-4.2%	-2.5%	-2.2%	-2.1%	-2.1%	-2.4%	-2.5%	-2.4%	-2.4%	-2.2%	-2.5%	-2.4%
Debt Held by the Public	12,275	13,060	13,588	14,081	14,575	15,081	15,670	16,297	16,929	17,600	18,229	--	--
% of GDP	76.6%	78.5%	77.1%	74.9%	73.0%	72.0%	71.6%	71.3%	71.0%	70.8%	70.4%		
Public Debt***	17,114	18,008	18,627	19,222	19,871	20,559	21,313	22,095	22,863	23,635	24,365	--	--
% of GDP	106.7%	108.2%	105.6%	102.3%	99.6%	98.2%	97.4%	96.7%	95.9%	95.1%	94.0%		
GDP	16,034	16,646	17,632	18,792	19,959	20,943	21,890	22,854	23,842	24,858	25,910	93,972	213,326

*Includes spending associated with adjustments provided for the purpose of overseas contingency operations, natural disasters, and program integrity initiatives. It also assumes that the sequestration process provided for under the Budget Control Act is replaced with a greater amount of savings to come from a balanced mix of changes made in revenues and spending. As part of that replacement legislation, it is the policy of the budget resolution that the statutory spending limits should be revised. However, until such time as legislation is passed that replaces the sequester with new savings and revises the statutory limits on spending, the aggregates and limits for the Senate and the allocation to the Committee on Appropriations shall remain consistent with the statutory limits established under 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 and the enforcement procedures established under section 251A of that Act or section 901(e) of the American Taxpayer Relief Act of 2012.

**Relative to CBO's baseline, not adjusted for current policies. Relative to current policy, the plan raises revenue by \$270 billion over 2014 through 2018 and by \$975 billion over 2014 through 2023.

***Public debt is the same as gross federal debt.

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS**

% of GDP	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
Total Discretionary Outlays:*													
Defense	4.1%	3.6%	3.2%	3.0%	2.8%	2.7%	2.6%	2.6%	2.5%	2.4%	2.4%	3.0%	2.7%
Nondefense	3.7%	3.9%	3.7%	3.3%	3.1%	3.0%	2.8%	2.7%	2.7%	2.6%	2.5%	3.4%	3.0%
Discretionary Outlays*	7.8%	7.5%	7.0%	6.4%	5.9%	5.7%	5.5%	5.3%	5.2%	5.0%	4.9%	6.4%	5.7%
Mandatory Outlays	13.2%	13.4%	13.3%	13.5%	13.3%	13.2%	13.4%	13.6%	13.7%	14.0%	14.0%	13.3%	13.6%
Net Interest Outlays	1.4%	1.5%	1.5%	1.7%	2.1%	2.4%	2.6%	2.8%	2.9%	3.0%	3.1%	1.9%	2.4%
Total Outlays	22.4%	22.3%	21.8%	21.6%	21.3%	21.3%	21.6%	21.7%	21.8%	22.1%	21.9%	21.6%	21.7%
Revenues	16.9%	18.2%	19.4%	19.4%	19.2%	19.2%	19.2%	19.2%	19.4%	19.6%	19.8%	19.1%	19.3%
Unified Deficit/Surplus	-5.6%	-4.2%	-2.5%	-2.2%	-2.1%	-2.1%	-2.4%	-2.5%	-2.4%	-2.4%	-2.2%	-2.5%	-2.4%
Debt Held by the Public	76.6%	78.5%	77.1%	74.9%	73.0%	72.0%	71.6%	71.3%	71.0%	70.8%	70.4%	--	--
Public Debt**	106.7%	108.2%	105.6%	102.3%	99.6%	98.2%	97.4%	96.7%	95.9%	95.1%	94.0%	--	--
GDP	16,034	16,646	17,632	18,792	19,959	20,943	21,890	22,854	23,842	24,858	25,910	93,972	213,326

*Includes spending associated with adjustments provided for the purpose of overseas contingency operations, natural disasters, and program integrity initiatives. It also assumes that the sequestration process provided for under the Budget Control Act is replaced with a greater amount of savings to come from a balanced mix of changes made in revenues and spending. As part of that replacement legislation, it is the policy of the budget resolution that the statutory spending limits should be revised. However, until such time as legislation is passed that replaces the sequester with new savings and revises the statutory limits on spending, the aggregates and limits for the Senate and the allocation to the Committee on Appropriations shall remain consistent with the statutory limits established under 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 and the enforcement procedures established under section 251A of that Act or section 901(e) of the American Taxpayer Relief Act of 2012.

**Note: Public debt is the same as gross federal debt.

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
DISCRETIONARY SPENDING SUMMARY**

Budget Authority, \$ billions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<u>Spending Limits in Effect in the Senate Pending Adjustments Under Current Law and/or Adoption of Sequestration Replacement Legislation (BCA Post-Sequester Limits) 1/</u>												
Security (Function 050)	497.352	511.351	522.351	535.350	548.350	561.350	575.349	589.349	604.672	620.393	2,614.754	5,565.867
Nonsecurity (Nondefense)	<u>469.023</u>	<u>483.313</u>	<u>493.502</u>	<u>505.018</u>	<u>517.622</u>	<u>531.517</u>	<u>545.021</u>	<u>557.777</u>	<u>572.279</u>	<u>587.158</u>	<u>2,468.478</u>	<u>5,262.230</u>
Regular Discretionary Funding	966.375	994.664	1,015.853	1,040.368	1,065.972	1,092.867	1,120.370	1,147.126	1,176.951	1,207.551	5,083.232	10,828.097
<u>Contingent, Revised Limits Proposed Under Committee-Reported Resolution for Regular Discretionary Funding 2/</u>												
Security (Function 050)	552.000	559.176	566.445	573.809	581.269	589.406	597.658	606.025	615.116	625.763	2,832.699	5,866.668
Nonsecurity (Nondefense)	<u>506.000</u>	<u>514.096</u>	<u>522.836</u>	<u>531.724</u>	<u>540.763</u>	<u>549.956</u>	<u>559.305</u>	<u>568.814</u>	<u>578.483</u>	<u>588.442</u>	<u>2,615.419</u>	<u>5,460.419</u>
Proposed, Revised Regular Discretionary Funding	1,058.000	1,073.272	1,089.281	1,105.533	1,122.032	1,139.362	1,156.963	1,174.839	1,193.599	1,214.205	5,448.118	11,327.087
<u>Memorandum: Contingent, Further Adjustments to Discretionary Funding 3/</u>												
Overseas Contingency Operations	50.000	25.000	*	*	*	*	*	*	*	*	75.000	75.000
Allowance for Natural Disasters	11.991	12.235	10.723	8.924	9.359	9.000	9.782	10.251	10.518	10.791	53.232	103.574
Program Integrity Adjustments	0.495	0.511	0.528	0.547	0.566	0.586	0.605	0.625	0.645	0.667	2.647	5.775

1/ For fiscal year 2014 and each year through 2021, the statutory caps on discretionary spending will be reduced by the Office of Management and Budget as part of its sequestration preview report for that fiscal year. The FY 2014 preview report, which will accompany the President's 2014 budget submission, has not yet been released. The above numbers reflect CBO's estimate of the post-sequestration spending limits for 2014. Pursuant to section 403 of the resolution, the discretionary spending limits, budgetary aggregates, and the allocation to the Committee on Appropriations for 2014 will be revised as needed to ensure that the spending controls in the resolution are in full compliance with the statutory limits.

2/ It is the policy of the budget resolution that Congress fully replace the sequestration process called for under the Budget Control Act with a balanced mix of spending and revenue savings. As part of that replacement legislation, it is the policy of the budget resolution that the spending limits should be revised consistent with the levels shown above. As stated under the first note, until that time, the budget resolution will enforce the aggregates, allocations, and limits consistent with the statutory spending limits. If a measure becomes law that amends the statutory spending limits established under section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 or the enforcement procedures established under section 251A of that Act or section 901(e) of the American Taxpayer Relief Act of 2012, the Chairman at that time may adjust the budgetary aggregates, allocations, and limits contained in the resolution, as necessary, to reflect the modified amounts.

3/ Includes spending associated with adjustments provided for the purpose of overseas contingency operations, natural disasters, and program integrity initiatives. These amounts are withheld in reserve from the aggregates, allocations, and limits until the Committee meets the conditions required for their release. Consistent with the President's announced troop withdrawals from Afghanistan by the end of calendar year 2014, the budget resolution provides necessary funding for overseas contingency operations through 2015. It is the policy of this resolution that additional funding for future overseas contingency operations be paid for. As such, the resolution contains a deficit-neutral reserve fund to continue such funding, as necessary.

Ratio of Plan Savings-Committee Reported Resolution*

	\$	%
Revenue/Spending in the Tax Code Savings:		
<i>New</i>	975	
<i>Previously Enacted, 112th Congress</i>	<u>617</u>	
Total	1,592	36%
Spending Savings:		
<i>New</i>	975	
<i>Previously Enacted, 112th Congress</i>	<u>1,800</u>	
Total	2,775	64%
Total Savings:	4,367	100%
<i>Less: Jobs and Infrastructure Package</i>	-100	--
Memorandum: Savings from New Policies Only:		
Revenue/Spending in the Tax Code Savings	975	50%
Spending Savings	<u>975</u>	50%
Total Savings:	1,950	
<i>Less: Jobs and Infrastructure Package</i>	-100	--

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*Relative to a current policy baseline. Includes previously enacted savings.
Does not include cost of jobs and infrastructure package shown in memorandum.

Note: interest savings included as spending.

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SAVINGS BY MAJOR CATEGORY***

(\$s in Billions)

Revenue/Spending in the Tax Code Savings	975
Spending Savings:	
<i>Regular Discretionary Outlay Savings</i>	
Defense Savings	240
Nondefense Savings	142
<i>Mandatory Outlay Savings</i>	
Health Savings	275
Other Mandatory Savings	76
Interest Savings	<u>242</u>
Subtotal, Spending Savings	975
Total Savings	1,950
<i>Less: Jobs and Infrastructure Package</i>	-100

Memorandum: Discretionary Budget Authority Savings

<i>Defense Savings</i>	250
<i>Nondefense Savings</i>	150

*Relative to a current policy baseline.

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
CROSSWALK FROM CBO FEBRUARY 2013 BASELINE TOTALS TO CURRENT POLICY BASELINE TOTALS**

\$ billions	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<u>Congressional Budget Office February 2013 Baseline</u>													
Revenue	2,708	3,003	3,373	3,591	3,765	3,937	4,101	4,279	4,496	4,734	4,961	17,669	40,241
Outlays													
Discretionary	1,213	1,170	1,189	1,209	1,233	1,257	1,293	1,324	1,356	1,396	1,424	6,059	12,852
Mandatory	2,116	2,205	2,342	2,535	2,655	2,768	2,924	3,087	3,263	3,501	3,658	12,504	28,938
Net Interest	224	243	272	323	412	517	593	667	730	795	857	1,267	5,410
Total Outlays	3,553	3,618	3,803	4,067	4,300	4,542	4,811	5,078	5,350	5,691	5,939	20,330	47,199
Deficit	-845	-616	-430	-476	-535	-605	-710	-798	-854	-957	-978	-2,661	-6,958
<u>Adjustments to CBO Baseline to Arrive at Current Policy Baseline (note: negative numbers indicate a worsening of the deficit):</u>													
Extend expansion of refundable tax relief provided in ARRA	0	0	0	0	0	-3	-31	-32	-32	-33	-33	-3	-164
Maintain Medicare payment rates for physicians at the current rate ("doc fix")	0	-14	-16	-13	-12	-12	-13	-14	-14	-15	-16	-67	-138
Remove extrapolation of funding for overseas contingency operations	0	52	83	98	104	107	110	113	116	119	121	443	1,021
Adjustment to set baseline equal to resolution funding for overseas contingency operations	0	-25	-28	-13	-5	-2	0	0	0	0	0	-73	-74
Remove extrapolation of emergency funding for disaster relief	0	2	9	18	26	33	38	41	43	45	47	88	302
Remove effects of the BCA sequestration process	-42	-89	-99	-103	-104	-105	-104	-104	-104	-94	-89	-500	-995
Debt service associated with current policy baseline adjustments	0	-1	-1	-3	-4	-5	-6	-6	-7	-7	-6	-14	-46
Change in Deficit from Baseline Adjustments	-42	-75	-51	-17	3	13	-6	-2	2	16	24	-127	-94
<u>Current Policy Baseline</u>													
Revenue	2,708	3,003	3,373	3,591	3,765	3,934	4,092	4,270	4,486	4,724	4,951	17,666	40,189
Outlays													
Discretionary	1,247	1,217	1,210	1,195	1,199	1,209	1,235	1,258	1,284	1,319	1,345	6,030	12,471
Mandatory*	2,123	2,233	2,371	2,563	2,682	2,795	2,974	3,139	3,317	3,545	3,696	12,643	29,314
Net Interest	224	244	273	326	416	522	599	673	737	801	863	1,781	5,455
Total Outlays	3,595	3,693	3,854	4,084	4,297	4,526	4,808	5,071	5,338	5,665	5,905	20,454	47,241
Deficit	-887	-691	-481	-493	-532	-592	-717	-801	-852	-941	-954	-2,788	-7,052

*Includes outlays effects of the extension of the refundable portion of tax relief.

**FISCAL YEAR 2014 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SAVINGS RELATIVE TO CBO'S FEBRUARY 2013 BASELINE AND CURRENT POLICY BASELINE**

\$ billions; note: negative numbers indicate a worsening of the deficit	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
Comparison of Resolution Totals to CBO February 2013 Baseline													
Revenue Savings	0	20	40	55	70	82	96	116	135	150	160	267	923
Outlay Savings*	<u>-42</u>	<u>-25</u>	<u>-17</u>	<u>33</u>	<u>66</u>	<u>93</u>	<u>98</u>	<u>124</u>	<u>154</u>	<u>206</u>	<u>252</u>	<u>107</u>	<u>933</u>
Total Deficit Reduction	-42	-55	23	88	136	175	194	240	289	355	412	374	1,856
Comparison of Resolution Totals to Current Policy Baseline													
Revenue Savings	0	20	40	55	70	85	105	125	145	160	170	270	975
Outlay Savings*	<u>0</u>	<u>0</u>	<u>34</u>	<u>50</u>	<u>62</u>	<u>77</u>	<u>95</u>	<u>117</u>	<u>142</u>	<u>180</u>	<u>218</u>	<u>230</u>	<u>975</u>
Total Deficit Reduction	0	20	74	105	132	162	200	242	287	340	388	500	1,950
Memorandum 1: Budgetary effects of Jobs and Investments Package not included above													
	-4	-22	-26	-18	-12	-8	-6	-3	-2	0	0	-86	-96
Memorandum 2: Adjustments to CBO February 2013 Baseline to Arrive at Current Policy Baseline													
Revenue Adjustments	0	0	0	0	0	-3	-9	-9	-10	-10	-10	-3	-52
Outlay Adjustments	<u>42</u>	<u>75</u>	<u>51</u>	<u>17</u>	<u>-3</u>	<u>-16</u>	<u>-3</u>	<u>-7</u>	<u>-12</u>	<u>-26</u>	<u>-34</u>	<u>124</u>	<u>42</u>
Total Adjustments	-42	-75	-51	-17	3	13	-6	-2	2	16	24	-127	-94

Note: Includes interest savings. Does not include Jobs and Investments Package (see Memorandum 1). Also does not include the \$2.4 trillion of savings already enacted in the 112th Congress (\$617 billion in revenue savings and \$1.8 trillion in spending savings).

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR 2013
(in millions of dollars)

Committee	Direct Spending Legislation		Entitlements Funded in Annual Appropriations Acts	
	Budget Authority	Outlays	Budget Authority	Outlays
Appropriations				
Security Category Discretionary Budget Authority	684,000	n/a		
Nonsecurity Category Discretionary Budget Authority	359,000	n/a		
General Purpose Discretionary Outlays	n/a	1,188,866		
Memo: on-budget	1,037,102	1,182,953		
off-budget	5,898	5,913		
Mandatory	792,167	782,214		
Total	1,835,167	1,971,080		
Agriculture, Nutrition, and Forestry	12,850	14,774	125,242	116,283
Armed Services	146,064	146,028	110	105
Banking, Housing, and Urban Affairs	-6,911	-5,577	0	0
Commerce, Science, and Transportation	15,550	10,495	1,319	1,420
Energy and Natural Resources	4,933	5,292	458	459
Environment and Public Works	42,182	2,935	0	0
Finance	1,337,848	1,328,498	562,112	561,485
Foreign Relations	31,126	26,318	159	159
Homeland Security and Governmental Affairs	99,983	95,958	9,232	9,232
Judiciary	9,842	14,298	805	765
Health, Education, Labor, and Pensions	-17,471	-2,004	15,262	15,139
Rules and Administration	41	6	23	24
Intelligence	0	0	514	514
Veterans' Affairs	999	1,167	76,829	76,527
Indian Affairs	817	1,145	0	0
Small Business	0	0	0	0
Unassigned to Committee	-706,028	-709,709	102	102
TOTAL	2,806,992	2,900,704	792,167	782,214

Note: the section 302 allocation to the Committee on Appropriations for 2013 is set consistent with the discretionary spending limits as set forth in the Budget Control Act, as revised by the American Taxpayer Relief Act of 2012. Pursuant to section 403 of the budget resolution, the discretionary spending limits, budgetary aggregates, and the allocation to the Committee on Appropriations for 2013 will be revised as needed to ensure that the spending controls in the resolution are in full compliance with the statutory limits.

Additionally, it is the policy of the budget resolution that Congress fully replace the sequestration process called for under the Budget Control Act with a balanced mix of spending and revenue savings. As part of that process, it is also the policy of the budget resolution that Congress provide funding for a jobs and infrastructure package. That funding, however, is reserved from the budgetary aggregates, limits and the allocation to the Committee on Appropriations contained in this resolution. If a measure becomes law that amends the statutory limits established under section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 or the enforcement procedures established under section 251A of that Act or section 901(e) of the American Taxpayer Relief Act of 2012, the Chairman at that time may adjust the budgetary aggregates, allocations, and limits contained in the resolution, as necessary, to reflect the modified amounts.

The allocation of discretionary outlays to the Committee on Appropriations in the budget resolution is made prior to the completion of final FY 2013 appropriations bills. Assuming final action in appropriations bills will occur prior to the completion of a budget resolution conference agreement, the final outlay allocation to the Committee will need to be revised to account for this change in law.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR 2014
(in millions of dollars)

Committee	Direct Spending Legislation		Entitlements Funded in Annual Appropriations Acts	
	Budget Authority	Outlays	Budget Authority	Outlays
Appropriations				
Security Category Discretionary Budget Authority	497,352	n/a		
Nonsecurity Category Discretionary Budget Authority	469,023	n/a		
General Purpose Discretionary Outlays	n/a	1,074,683		
Memo: on-budget	960,576	1,068,841		
off-budget	5,799	5,842		
Mandatory	846,009	831,243		
Total	1,812,384	1,905,926		
Agriculture, Nutrition, and Forestry	14,061	13,551	122,717	108,265
Armed Services	150,940	150,818	106	107
Banking, Housing, and Urban Affairs	30,881	10,213	0	0
Commerce, Science, and Transportation	15,498	10,738	1,574	1,542
Energy and Natural Resources	4,881	5,261	196	70
Environment and Public Works	43,806	3,212	0	0
Finance	1,345,474	1,336,534	613,365	613,606
Foreign Relations	29,154	26,121	159	159
Homeland Security and Governmental Affairs	102,621	98,990	9,234	9,234
Judiciary	21,213	10,772	824	818
Health, Education, Labor, and Pensions	-13,146	-3,309	15,780	15,691
Rules and Administration	39	5	24	24
Intelligence	0	0	514	514
Veterans' Affairs	941	1,125	81,412	81,109
Indian Affairs	827	1,363	0	0
Small Business	0	0	0	0
Unassigned to Committee	-743,892	-733,389	104	104
TOTAL	2,815,682	2,837,931	846,009	831,243

For fiscal year 2014, the statutory caps on discretionary spending will be reduced by the Office of Management and Budget as part of its sequestration preview report. The FY 2014 preview report, which will accompany the President's 2014 budget submission, has not yet been released. The allocation to the Committee on Appropriations reflects CBO's estimate of the post-sequestration spending limits for 2014. Pursuant to section 403 of the budget resolution, the discretionary spending limits, budgetary aggregates, and the allocation to the Committee on Appropriations for 2014 will be revised as needed to ensure that the spending controls in the resolution are in full compliance with the statutory limits.

In addition, it is the policy of the budget resolution that Congress fully replace the sequestration process called for under the Budget Control Act with a balanced mix of spending and revenue savings. As part of that replacement legislation, it is the policy of the budget resolution that the spending limits should be revised. Until the adoption of that measure, the budget resolution will enforce the aggregates, allocations, and limits consistent with the existing statutory spending limits. If a measure becomes law that amends the statutory spending limits established under section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 or the enforcement procedures established under section 251A of that Act or section 901(e) of the American Taxpayer Relief Act of 2012, the Chairman may at that time adjust the budgetary aggregates, allocations, and limits contained in the resolution, as necessary, to reflect the modified amounts.

The allocation of discretionary outlays to the Committee on Appropriations in the budget resolution is made prior to the completion of final FY 2013 appropriations bills or the submission of the President's FY 2014 budget request. Assuming that one or both of these will occur prior to the completion of a budget resolution conference agreement, the final outlay allocation to the Committee will need to be revised to account for the change in law and or request.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT

5-YEAR: 2014-2018
(in millions of dollars)

Committee	Direct Spending Legislation		Entitlements Funded In Annual Appropriations Acts	
	Budget Authority	Outlays	Budget Authority	Outlays
Agriculture, Nutrition, and Forestry	60,400	58,772	616,952	548,739
Armed Services	809,821	809,402	512	506
Banking, Housing, and Urban Affairs	125,369	3,187	0	0
Commerce, Science, and Transportation	75,837	51,551	8,833	8,525
Energy and Natural Resources	23,033	24,966	472	346
Environment and Public Works	218,758	19,901	0	0
Finance	7,717,731	7,697,921	3,537,902	3,538,584
Foreign Relations	130,622	125,438	795	795
Homeland Security and Governmental Affairs	552,353	535,337	45,791	45,791
Judiciary	65,295	65,003	4,418	4,402
Health, Education, Labor, and Pensions	131,435	148,133	86,607	86,288
Rules and Administration	146	29	130	130
Intelligence	0	0	2,570	2,570
Veterans' Affairs	4,091	5,168	438,598	437,083
Indian Affairs	3,418	5,214	0	0
Small Business	0	0	0	0

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT

10-YEAR: 2014-2023

(in millions of dollars)

Committee	Direct Spending Legislation		Entitlements Funded In Annual Appropriations Acts	
	Budget Authority	Outlays	Budget Authority	Outlays
Agriculture, Nutrition, and Forestry	118,520	115,810	1,243,293	1,101,774
Armed Services	1,776,165	1,780,050	1,024	1,008
Banking, Housing, and Urban Affairs	226,279	-47,543	0	0
Commerce, Science, and Transportation	151,679	99,521	20,141	19,432
Energy and Natural Resources	47,844	51,024	817	691
Environment and Public Works	432,599	40,261	0	0
Finance	19,167,065	19,147,971	8,516,036	8,516,531
Foreign Relations	241,749	235,371	1,590	1,590
Homeland Security and Governmental Affairs	1,199,630	1,164,701	87,036	87,036
Judiciary	119,176	119,468	9,676	9,645
Health, Education, Labor, and Pensions	427,355	443,522	203,212	202,533
Rules and Administration	161	-1	292	292
Intelligence	0	0	5,140	5,140
Veterans' Affairs	6,345	8,552	949,458	946,428
Indian Affairs	7,443	9,175	0	0
Small Business	0	0	0	0

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012- 2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
National Defense:														
Exclusion of benefits and allowances to armed forces personnel	---	---	---	---	---	---	4.0	4.6	5.0	5.4	5.7	5.9	24.7	26.6
Exclusion of military disability benefits	---	---	---	---	---	---	0.2	0.2	0.2	0.2	0.3	0.3	1.2	1.3
Deduction for overnight-travel expenses of national guard and reserve members	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.5
Exclusion of combat pay	---	---	---	---	---	---	0.9	0.9	0.9	1.0	1.2	1.3	4.9	5.3
International Affairs:														
Exclusion of certain allowances for Federal employees abroad	---	---	---	---	---	---	1.8	1.9	2.0	2.1	2.2	2.3	10.0	10.5
Exclusion of foreign earned income:														
Housing	---	---	---	---	---	---	1.0	1.0	1.0	1.2	1.4	1.5	5.5	6.1
Salary	---	---	---	---	---	---	4.9	4.8	5.0	5.9	6.9	7.7	27.5	30.3
Inventory property sales source rule exception	3.1	3.2	3.4	3.5	3.7	3.8	---	---	---	---	---	---	16.9	17.6
Deduction for foreign taxes instead of a credit	0.2	0.2	0.3	0.3	0.3	0.3	---	---	---	---	---	---	1.3	1.4
Interest expense allocation:														
Unavailability of symmetric worldwide method*	-1.4	-1.6	-1.8	-2.0	-2.2	-2.5	---	---	---	---	---	---	-9.1	-10.1
Separate grouping of affiliated financial companies	0.6	0.6	0.7	0.7	0.7	0.7	---	---	---	---	---	---	3.2	3.2
Apportionment of research and development expenses for determination of foreign tax credits	0.5	0.5	0.5	0.5	0.4	0.3	---	---	---	---	---	---	2.3	2.2
Special rules for interest-charge domestic international sales corporations	0.4	0.3	0.4	0.4	0.4	0.4	---	---	---	---	---	---	2.0	1.9
Tonnage tax	0.1	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	---	0.5	0.5
Deferral of active income of controlled foreign corporations	36.8	42.4	49.5	53.9	57.2	62.8	---	---	---	---	---	---	239.7	265.7
Deferral of active financing income [2]	5.0	5.9	1.5	---	---	---	---	---	---	---	---	---	12.4	7.4
General Science, Space, and Technology:														
Credit for increasing research activities (Code section 41)	6.0	6.8	5.4	3.9	3.1	2.4	0.1	0.1	0.1	0.1	0.1	0.1	25.7	22.0
Expensing of research and experimental expenditures	4.9	5.3	5.9	6.8	7.4	7.6	0.1	0.1	0.1	0.1	0.1	0.1	31.0	33.8
Therapeutic research credit	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0	1.0

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012- 2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Energy:														
Credit for energy-efficient improvements to existing homes	---	---	---	---	---	---	2.9	3.0	2.5	---	---	---	8.5	5.5
Credit for holders of clean renewable energy bonds (Code sections 54 and 54C) [3] [4]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.4	0.5
Exclusion of energy conservation subsidies provided by public utilities	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Credit for holder of qualified energy conservation bonds [3] [4]	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.3
Credits for alcohol fuels [6]	0.1	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.2	0.1
Energy credit (section 48)	0.4	0.4	0.5	0.5	0.5	0.5	0.1	0.1	0.1	0.1	0.1	0.1	2.8	2.9
Solar	0.3	0.4	0.4	0.4	0.4	0.4	[5]	[5]	[5]	[5]	[5]	[5]	1.9	2.4
Geothermal	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Fuel Cells	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Microturbines	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Combined heat and power	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Small wind	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Geothermal heat pump systems	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Credits for electricity production from renewable resources (section 45):														
Wind	1.3	1.4	1.5	1.6	1.6	1.7	[5]	[5]	[5]	[5]	[5]	[5]	7.3	7.7
Closed-loop biomass	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Geothermal	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Qualified hydropower	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Small irrigation power	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Municipal solid waste	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Open-loop biomass	0.3	0.3	0.3	0.3	0.3	0.3	[5]	[5]	[5]	[5]	[5]	[5]	1.5	1.5
Special rule to implement electric transmission restructuring	1.8	-0.2	-0.2	-0.1	-0.1	-0.1	---	---	---	---	---	---	1.1	-0.6
Credits for investments in clean coal facilities	0.2	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	---	1.0	1.2
Coal production credits:														
Refined coal	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Indian coal	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Credit for the production of energy-efficient appliances	0.2	0.2	0.1	0.1	[5]	[5]	---	---	---	---	---	---	0.6	0.6
Credits for alternative technology vehicles:														
Other alternative fuel vehicles	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Credit for clean-fuel vehicle refueling property	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3	0.3
Residential energy-efficient property credit	---	---	---	---	---	---	0.8	0.9	1.0	1.0	1.1	0.9	4.8	4.9

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012- 2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
New energy-efficient home credit	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Credit for plug-in electric vehicles	0.2	0.3	0.4	0.4	0.5	0.5	[5]	0.1	0.1	0.1	0.1	0.1	2.5	3.2
Credit for investment in advanced energy property	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	[5]	1.3	1.5
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3	0.3
Deduction for expenditures on energy-efficient commercial building property	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0	1.1
Expensing of exploration and development costs, fuels:														
Oil and gas	0.5	0.7	0.9	1.0	1.1	1.1	0.2	0.2	0.3	0.3	0.3	0.4	5.4	6.2
Other fuels	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.4	0.5
Excess of percentage over cost depletion, fuels:														
Oil and gas	1.1	1.1	1.1	1.1	1.1	1.2	[5]	[5]	[5]	[5]	[5]	[5]	5.6	5.7
Other fuels	0.2	0.2	0.2	0.2	0.1	0.1	[5]	[5]	[5]	[5]	[5]	[5]	0.9	1.0
Amortization of geological and geophysical expenditures associated with oil and gas exploration	0.1	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	[5]	0.7	0.7
Amortization of air pollution control facilities	0.4	0.4	0.4	0.3	0.3	0.3	---	---	---	---	---	---	1.8	1.7
Depreciation recovery periods for energy-specific items:														
Five-year MACRS for certain energy property (solar, wind, etc.)	0.3	0.3	0.3	0.3	0.2	0.2	[5]	[5]	[5]	[5]	[5]	[5]	1.4	1.5
10-year MACRS for smart electric distribution property	0.1	0.1	0.2	0.2	0.2	0.2	---	---	---	---	---	---	0.7	0.9
15-year MACRS for certain electric transmission property	0.2	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	---	0.9	1.0
15-year MACRS for natural gas distribution line	0.1	0.1	0.1	0.2	0.2	0.2	---	---	---	---	---	---	0.6	0.7
Election to expense 50 percent of qualified property used to refine liquid fuels	0.4	0.4	0.7	0.8	0.8	0.6	---	---	---	---	---	---	3.1	3.4
Exceptions for publicly traded partnership with qualified income derived from certain energy-related activities	---	---	---	---	---	---	1.1	1.2	1.2	1.4	1.4	1.5	6.3	6.7
Natural Resources and Environment:														
Special depreciation allowance for certain reuse and recycling property	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Expensing of exploration and development costs, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	[5]	0.4	0.5
Excess of percentage over cost depletion, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	[5]	0.4	0.5
Expensing of timber-growing costs	0.2	0.2	0.2	0.2	0.2	0.2	[5]	[5]	[5]	[5]	[5]	[5]	1.2	1.3
Special rules for mining reclamation reserves	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012- 2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Special tax rate for nuclear decommissioning reserve funds	1.0	1.1	1.1	1.2	1.2	1.3	---	---	---	---	---	---	5.5	5.8
Exclusion of contributions in aid of construction for water and sewer utilities	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.2	0.2
Exclusion of earnings of certain environmental settlement funds	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Amortization and expensing of reforestation expenditures	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0	1.1
Special tax rate for qualified timber gain	---	---	---	---	---	---	0.4	0.5	0.5	0.5	0.5	0.5	2.4	2.5
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules	---	---	---	---	---	---	0.1	0.1	0.1	0.2	0.2	0.2	0.7	0.8
Agriculture:														
Expensing of soil and water conservation expenditures	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.3	0.4
Expensing of the costs of raising dairy and breeding cattle	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.5	0.6
Exclusion of cost-sharing payments	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of cancellation of indebtedness income of farmers	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.4
Income averaging for farmers and fishermen	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Five-year carryback period for net operating losses attributable to farming	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.3	0.4
Expensing by farmers for fertilizer and soil conditioner costs	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.3	0.4
Commerce and Housing:														
Housing:														
Deduction for mortgage interest on owner-occupied residences	---	---	---	---	---	---	68.5	69.7	71.7	75.0	79.2	83.4	364.0	379.0
Deduction for property taxes on real property	---	---	---	---	---	---	24.5	27.0	28.6	30.4	32.5	34.4	143.0	152.9
Exclusion of capital gains on sales of principal residences	---	---	---	---	---	---	22.3	23.8	24.8	26.0	27.1	28.0	124.1	129.8
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing	0.3	0.3	0.3	0.3	0.3	0.3	0.8	0.9	0.9	1.0	1.0	1.0	6.2	6.7
Deduction for premiums for qualified mortgage insurance	---	---	---	---	---	---	0.2	0.2	[5]	---	---	---	0.4	0.2
Exclusion of income attributable to the discharge of principal residence acquisition indebtedness	---	---	---	---	---	---	1.3	1.3	0.3	---	---	---	3.0	1.6
Credit for low-income housing	5.7	6.1	6.4	6.8	7.4	7.9	0.3	0.3	0.3	0.4	0.4	0.4	34.2	36.5
Credit for rehabilitation of historic structures	0.4	0.4	0.4	0.4	0.5	0.5	0.2	0.2	0.2	0.2	0.2	0.3	3.1	3.2

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012-2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Credit for rehabilitation of structures, other than historic structures	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	1.5	1.6
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.2	0.3	0.3	0.3	0.3	0.3	0.6	0.7	0.7	0.8	0.8	0.8	5.0	5.2
Depreciation of rental housing in excess of alternative depreciation system	0.5	0.4	0.4	0.4	0.4	0.4	4.2	4.0	3.8	3.7	3.7	3.8	21.5	21.0
<i>Other business and commerce:</i>														
Exclusion of interest on State and local government small-issue qualified private activity bonds	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	1.9	2.0
Carryover basis of capital gains on gifts	---	---	---	---	---	---	5.5	13.2	-1.4	-3.6	1.6	2.2	15.3	12.0
Deferral of gain on non-dealer installment sales	6.0	7.0	6.9	6.9	6.8	6.7	1.3	2.6	2.7	2.1	1.7	1.4	44.0	44.8
Deferral of gain on like-kind exchanges	4.2	4.9	5.7	6.5	7.3	8.0	2.0	2.0	3.0	3.1	3.3	3.5	42.0	47.3
Expensing under section 179 of depreciable business property	0.5	0.4	0.4	0.4	0.4	0.4	4.2	4.0	3.8	3.7	3.7	3.9	21.6	21.1
Amortization of business startup costs	[5]	[5]	[5]	[5]	0.1	0.1	[5]	[5]	0.1	0.1	0.1	0.1	0.5	0.6
Reduced rates on first \$10,000,000 of corporate taxable income	2.4	3.1	3.7	4.0	3.9	4.1	---	---	---	---	---	---	17.1	18.8
Exemptions from imputed interest rules	[5]	[5]	[5]	[5]	[5]	[5]	0.5	0.6	0.6	0.6	0.6	0.7	2.9	3.1
Expensing of magazine circulation expenditures	0.1	[5]	[5]	[5]	[5]	[5]	0.1	[5]	[5]	[5]	[5]	[5]	0.4	0.4
Special rules for magazine, paperback book, and record returns	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Completed contract rules	0.7	0.8	0.8	0.9	0.9	0.9	[5]	[5]	[5]	[5]	[5]	[5]	4.1	4.3
Cash accounting, other than agriculture	[5]	[5]	[5]	[5]	[5]	[5]	1.1	1.1	1.2	1.3	1.3	1.4	6.0	6.3
Credit for employer-paid FICA taxes on tips	0.7	0.8	0.8	0.9	0.9	1.0	0.5	0.5	0.6	0.6	0.6	0.7	6.9	7.3
Deduction for income attributable to domestic production activities	9.6	10.1	10.6	11.2	11.7	12.3	3.8	4.0	4.2	4.5	4.7	4.9	74.5	78.2
Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Reduced rates of tax on dividends and long-term capital gains	---	---	---	---	---	---	108.4	160.8	91.3	114.9	120.6	128.5	596.0	616.2
Surtax on net investment income*	---	---	---	---	---	---	---	-4.0	-16.7	-19.8	-20.9	-22.4	-61.4	-83.8
Exclusion of capital gains at death	---	---	---	---	---	---	37.8	42.8	48.4	51.6	55.5	59.7	236.1	258.0
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion for gain from certain small business stock	---	---	---	---	---	---	0.4	0.3	0.5	0.7	0.7	0.8	2.6	3.0

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012-2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Distributions in redemption of stock to pay various taxes imposed at death	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Inventory methods and valuation:														
Last in first out	4.0	4.2	4.4	4.6	4.8	5.1	0.6	0.6	0.7	0.7	0.7	0.7	25.2	26.5
Lower of cost or market	0.4	0.5	0.5	0.6	0.6	0.6	0.1	0.1	0.1	0.1	0.1	0.1	3.1	3.3
Specific identification for homogeneous products	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Exclusion of gain or loss on sale or exchange of brownfield property	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.1	0.1
Income recognition rule for gain or loss from section 1256 contracts	[5]	[5]	[5]	0.1	0.1	0.1	0.7	0.9	1.0	1.0	1.0	1.0	4.8	5.0
Net alternative minimum tax attributable to net operating loss limitation*	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-3.0	-3.0
Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	2.2	2.2
Depreciation of equipment in excess of the alternative depreciation system [7]	22.3	13.9	-21.4	-18.4	-1.9	9.4	9.1	5.7	-8.8	-7.5	-0.8	3.9	-7.7	-25.9
Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument	0.5	0.3	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.8	0.3
Financial institutions:														
Exemption of credit union income	0.5	0.5	0.7	0.8	0.9	1.0	---	---	---	---	---	---	3.4	3.9
Insurance companies:														
Exclusion of investment income on life insurance and annuity contracts	2.6	2.7	2.7	2.8	2.8	2.9	26.6	27.3	28.0	28.7	29.4	30.2	153.8	157.6
Small life insurance company taxable income adjustment	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.2	0.2
Special treatment of life insurance company reserves	2.3	2.4	2.6	2.7	2.7	2.8	---	---	---	---	---	---	12.7	13.2
Special deduction for Blue Cross and Blue Shield companies	0.4	0.4	0.4	0.4	0.4	0.5	---	---	---	---	---	---	2.1	2.2
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies	0.1	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	---	0.3	0.4
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	0.7	0.7	0.8	0.8	0.8	0.8	---	---	---	---	---	---	3.8	3.9

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012- 2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Proration for property and casualty insurance companies	0.3	0.4	0.4	0.4	0.5	0.5	---	---	---	---	---	---	1.9	2.1
Transportation:														
Exclusion of employer-paid transportation benefits (parking, van pools, and transit passes)	---	---	---	---	---	---	4.4	4.9	5.3	5.7	6.2	6.7	26.5	28.8
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	---	0.5	0.5
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities	[5]	[5]	[5]	[5]	[5]	0.1	[5]	[5]	0.1	0.1	0.1	0.1	0.5	0.6
Exclusion of interest on State and local government qualified private activity bonds for high-speed intercity rail facilities	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities	0.2	0.2	0.2	0.2	0.2	0.2	0.5	0.6	0.6	0.7	0.7	0.7	4.3	4.5
Provide a 50 percent tax credit for certain expenditures for maintaining railroad tracks	0.1	0.2	0.1	---	---	---	---	---	---	---	---	---	0.3	0.2
Community and Regional Development:														
Empowerment zone tax incentives	0.4	0.2	0.1	0.1	[5]	[5]	0.2	0.1	0.1	[5]	[5]	[5]	1.2	0.7
Renewal community incentives	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	---	0.2	0.2
New markets tax credit	0.7	0.9	1.0	1.0	1.1	1.1	[5]	[5]	[5]	[5]	[5]	[5]	4.7	5.1
District of Columbia tax incentives	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.1	0.1	0.6	0.6
Credit for Indian reservation employment	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3	2.1	2.2
Recovery zone bonds [3] [4]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2	0.2	0.2	0.2	0.2	1.0	1.0
Build America bonds [3] [4]	---	---	---	---	---	---	3.8	3.8	3.8	3.8	3.8	3.8	19.0	19.0
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.4	0.5	0.5	0.6	0.6	0.7	---	---	---	---	---	---	2.6	2.9
Disaster Relief:														
National disaster relief														
Education, Training, Employment, and Social Services:														
Education and training:														
Deduction for interest on student loans	---	---	---	---	---	---	1.3	1.3	1.4	1.4	1.5	1.5	6.9	7.1

----- Estimate Contained in Other Provisions -----

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012-2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Deduction for higher education expenses	---	---	---	---	---	---	0.8	0.7	0.2	---	---	---	1.7	0.9
Exclusion of earnings of Coverdell education savings accounts	---	---	---	---	---	---	[5]	0.1	0.1	0.1	0.1	0.1	0.4	0.6
Exclusion of scholarship and fellowship income	---	---	---	---	---	---	2.4	2.5	2.7	2.8	3.0	3.1	13.3	14.1
Exclusion of income attributable to the discharge of certain student loan debt and NHSC and certain state educational loan repayments	---	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.2	0.9	1.0
Exclusion of employer-provided education assistance benefits	---	---	---	---	---	---	1.1	1.1	1.2	1.2	1.2	1.2	5.8	5.9
Exclusion of employer-provided tuition reduction benefits	---	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.3	1.2	1.1
Parental personal exemption for students aged 19 to 23	---	---	---	---	---	---	4.8	4.8	5.0	5.1	5.2	5.3	24.9	25.4
Exclusion of interest on State and local government qualified private activity bonds for student loans	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.4	0.4	0.4	0.4	2.6	2.7
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	0.9	0.9	0.9	0.9	0.9	0.9	2.2	2.5	2.6	2.7	2.8	2.9	17.4	18.2
Credit for holders of qualified zone academy bonds [3] [4]	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	1.2	1.3
Deduction for charitable contributions to educational institutions	0.3	0.3	0.3	0.3	0.3	0.3	4.9	5.3	5.9	6.1	6.4	6.7	30.0	31.9
Deduction for teacher classroom expenses	---	---	---	---	---	---	0.2	0.2	0.1	---	---	---	0.5	0.3
Credits for tuition for post-secondary education [4]:	---	---	---	---	---	---	20.3	20.1	24.5	* 26.8	27.4	27.6	119.1	126.4
Exclusion of tax on earnings of qualified tuition programs:	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Prepaid tuition programs	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.5
Savings account programs	---	---	---	---	---	---	0.6	0.7	0.8	1.0	1.1	1.2	4.2	4.8
Qualified school construction bonds [3] [4]	0.1	0.1	0.1	0.1	0.1	0.1	0.7	1.0	1.2	1.4	1.4	1.4	6.0	6.7
<i>Employment:</i>	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Exclusion of employee meals and lodging (other than military)	---	---	---	---	---	---	1.5	1.7	1.9	2.1	2.3	2.5	9.5	10.5
Exclusion of benefits provided under cafeteria plans [8]	---	---	---	---	---	---	26.8	32.2	36.6	39.1	41.1	43.3	175.8	192.3
Exclusion of housing allowances for ministers	---	---	---	---	---	---	0.7	0.7	0.7	0.8	0.8	0.8	3.7	3.8
Exclusion of miscellaneous fringe benefits	---	---	---	---	---	---	7.0	7.3	7.5	7.7	7.9	8.2	37.4	38.5
Exclusion of employee awards	---	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	0.3	1.5	1.5
Exclusion of income earned by voluntary employees' beneficiary associations	---	---	---	---	---	---	2.8	2.7	2.9	3.1	3.2	3.2	14.6	15.1

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012-2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.0	1.0	1.1	1.1	0.1	0.1	0.1	0.1	0.2	0.2	5.5	5.9
Deferral of taxation on spread on acquisition of stock under incentive stock option plans*	-1.4	-1.4	-1.5	-1.6	-1.6	-1.6	0.3	0.3	0.3	0.4	0.4	0.4	-5.7	-5.8
Deferral of taxation on spread on employee stock purchase plans*	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	-0.7	-0.7
Disallowance of deduction for excess parachute payments (applicable if payments to a disqualified individual are contingent on a change of control of a corporation and are equal to or greater than three times the individual's annualized includible compensation) [9]*	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	---	---	---	---	---	---	-1.1	-1.2
Limits on deductible compensation [10]*	-0.6	-0.7	-0.8	-0.8	-0.9	-0.9	---	---	---	---	---	---	-3.8	-4.0
Work opportunity tax credit	0.8	0.9	0.8	0.4	0.3	0.2	0.1	0.2	0.1	0.1	[5]	[5]	3.7	2.9
Social services:														
Credit for children under age 17 [4]	---	---	---	---	---	---	56.8	57.3	57.9	58.4	58.9	59.0	289.4	291.6
Credit for child and dependent care and exclusion of employer-provided child care [10]	---	---	---	---	---	---	3.3	3.3	3.4	3.5	3.5	3.6	17.0	17.3
Credit for employer-provided dependent care	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of certain foster care payments	---	---	---	---	---	---	0.4	0.4	0.4	0.4	0.4	0.4	2.0	2.0
Adoption credit and employee adoption benefits exclusion	---	---	---	---	---	---	0.5	0.5	0.5	0.5	0.6	0.6	2.6	2.7
Deduction for charitable contributions, other than for education and health [11]	0.9	0.9	0.9	0.9	1.0	1.0	28.8	31.0	34.7	35.9	37.4	39.3	172.4	183.0
Credit for disabled access expenditures	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Health:														
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [12]	---	---	---	---	---	---	117.3	131.7	143.0	153.0	161.5	171.2	706.6	760.4
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare	---	---	---	---	---	---	2.6	2.7	2.7	2.8	2.8	2.9	13.6	13.9
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare	---	---	---	---	---	---	1.5	1.8	2.1	2.3	2.4	2.7	10.1	11.2
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	---	---	---	---	---	---	4.6	5.2	5.6	5.9	6.2	6.6	27.6	29.6

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012- 2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Deduction for medical expenses and long-term care expenses	---	---	---	---	---	---	11.2	11.4	12.4	14.2	16.2	17.3	65.6	71.6
Exclusion of workers' compensation benefits (medical benefits)	---	---	---	---	---	---	5.4	5.7	4.9	4.9	5.0	5.1	25.8	25.6
Health savings accounts	---	---	---	---	---	---	1.5	1.8	2.1	2.3	2.5	2.8	10.1	11.4
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities	0.6	0.6	0.6	0.6	0.6	0.7	1.5	1.7	1.7	1.9	1.9	2.0	11.8	12.4
Deduction for charitable contributions to health organizations	1.6	1.6	1.6	1.7	1.7	1.8	2.5	2.7	3.0	3.1	3.3	3.4	22.8	23.9
Credit for purchase of health insurance by certain displaced persons [4]	---	---	---	---	---	---	0.2	[5]	---	---	---	---	0.3	[5]
Credit for orphan drug research	0.7	0.8	0.8	0.9	0.9	1.0	[5]	[5]	[5]	[5]	[5]	[5]	4.1	4.3
Premium subsidy for COBRA continuation coverage [4]	---	---	---	---	---	---	[5]	---	---	---	---	---	[5]	---
Tax credit for small businesses purchasing employer insurance	0.2	0.3	0.4	0.5	0.1	0.3	1.2	1.5	2.2	3.1	0.8	1.6	10.3	10.8
Subsidies for participation in exchanges [4]	---	---	---	---	---	---	---	---	20.5	44.5	76.5	95.9	141.6	237.5
Medicare:														
Exclusion of Medicare benefits:														
Hospital insurance (Part A)	---	---	---	---	---	---	29.1	34.0	31.7	33.8	34.2	36.6	162.8	170.3
Supplementary medical insurance (Part B)	---	---	---	---	---	---	28.9	26.4	27.1	28.9	31.0	34.3	142.2	147.6
Prescription drug insurance (Part D)	---	---	---	---	---	---	6.0	6.6	7.2	7.9	8.7	9.6	36.5	40.1
Exclusion of certain subsidies to employers who maintain prescription drug plans for Medicare enrollees	0.5	0.3	---	---	---	---	---	---	---	---	---	---	0.8	0.3
Income Security:														
Exclusion of workers' compensation benefits (disability and survivors payments)	---	---	---	---	---	---	3.9	4.1	4.4	4.7	5.0	5.3	22.1	23.4
Exclusion of damages on account of personal physical injuries or physical sickness	---	---	---	---	---	---	1.6	1.6	1.6	1.7	1.7	1.7	8.0	8.3
Exclusion of special benefits for disabled coal miners	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of cash public assistance benefits	---	---	---	---	---	---	4.4	4.9	5.0	5.2	5.4	5.5	24.9	25.9
Net exclusion of pension contributions and earnings:														
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans")	---	---	---	---	---	---	10.6	11.3	12.0	12.7	13.6	14.5	60.2	64.1
Defined benefit plans	---	---	---	---	---	---	40.9	32.9	35.1	41.2	48.9	54.1	198.9	212.2
Defined contribution plans	---	---	---	---	---	---	49.6	57.0	61.4	65.9	72.5	78.8	306.4	335.6

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012- 2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Individual retirement arrangements:														
Traditional IRAs	---	---	---	---	---	---	6.7	11.1	13.3	14.5	15.9	17.2	61.5	72.0
Roth IRAs	---	---	---	---	---	---	3.4	3.8	4.3	4.9	5.5	6.2	22.0	24.8
Credit for certain individuals for elective deferrals and IRA contributions	---	---	---	---	---	---	1.0	1.1	1.1	1.1	1.0	1.0	5.3	5.3
Exclusion of other employee benefits:														
Premiums on group term life insurance (excludes payroll taxes)	---	---	---	---	---	---	2.8	3.0	3.2	3.4	3.6	3.9	16.0	17.1
Premiums on accident and disability insurance	---	---	---	---	---	---	3.6	3.7	3.8	4.0	4.1	4.3	19.2	19.9
Additional standard deduction for the blind and the elderly	---	---	---	---	---	---	2.7	2.9	3.2	3.5	3.9	4.3	16.3	17.8
Deduction for casualty and theft losses	---	---	---	---	---	---	0.3	0.3	0.3	0.3	0.3	0.4	1.5	1.6
Earned income credit [4]	---	---	---	---	---	---	59.0	60.9	67.0	66.5	66.3	65.3	319.7	325.9
Phase out of the personal exemption for the regular income tax, and disallowance of the personal exemption and the standard deduction against the alternative minimum tax*	---	---	---	---	---	---	-10.1	-11.3	-12.9	-14.0	-15.3	-16.7	-63.6	-70.2
Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty	---	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	[5]	0.1	0.1
Exclusion of disaster mitigation payments	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2	0.2
Social Security and Railroad Retirement:														
Exclusion of untaxed Social Security and railroad retirement benefits	---	---	---	---	---	---	31.5	33.0	34.4	35.8	37.3	39.1	172.1	179.6
Veterans' Benefits and Services:														
Exclusion of veterans' disability compensation	---	---	---	---	---	---	5.2	5.9	6.0	6.1	6.6	6.2	29.9	30.8
Exclusion of veterans' pensions	---	---	---	---	---	---	0.1	0.2	0.2	0.2	0.2	0.2	0.8	0.8
Exclusion of veterans' readjustment benefits	---	---	---	---	---	---	1.3	1.5	1.4	1.5	1.6	1.6	7.3	7.7
Exclusion of interest on State and local government qualified private activity bonds for veterans' housing	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3	0.3
General Purpose Fiscal Assistance:														
Exclusion of interest on public purpose State and local government bonds	9.0	9.3	9.5	9.7	9.9	10.1	23.0	26.5	27.3	28.8	29.6	30.4	182.8	191.3
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes	---	---	---	---	---	---	43.5	50.3	51.8	54.9	58.6	62.0	259.2	277.6

Tax Expenditure Estimates By Budget Function, Fiscal Years 2012-2017

[Billions of Dollars]

Function	Corporations						Individuals						Total	Total
	2012	2013	2014	2015	2016	2017	2012	2013	2014	2015	2016	2017	2012-16	2013-17
Interest:														
Deferral of interest on savings bonds	---	---	---	---	---	---	1.3	1.3	1.4	1.4	1.4	1.5	6.8	7.0
NOTE: Details may not add to totals due to rounding. An *** indicates a negative tax expenditure for the 2012-2016 and 2013-2017 period.														
[1] Reflects legislation enacted by January 2, 2013.														
[2] Does not include provision that permits look-through of payments between related foreign corporations														
[3] Estimate includes an outlay to State and Local governments. For the purposes of this table outlays are attributed to individuals.														
[4] Estimate includes refundability associated with the following														
outlay effects:														
Clean renewable energy bonds	---	---	---	---	---	---	[5]	[5]	[5]	[5]	0.1	0.1	0.2	0.2
Qualified energy conservation bonds	---	---	---	---	---	---	[5]	[5]	[5]	[5]	0.1	0.1	0.2	0.2
Recovery zone economic development bonds	---	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.2	0.8	0.8
Build America bonds	---	---	---	---	---	---	3.8	3.8	3.8	3.8	3.8	3.8	19.0	19.0
Qualified zone academy bonds	---	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3
HOPE credit	---	---	---	---	---	---	4.6	4.5	4.5	4.8	5.1	5.0	23.5	24.0
Qualified school construction bonds	---	---	---	---	---	---	0.7	0.9	1.2	1.3	1.3	1.3	5.4	6.1
Credit for children under age 17	---	---	---	---	---	---	29.6	30.8	31.2	31.1	30.6	30.3	153.3	154.0
Credit for health insurance by certain displaced person	---	---	---	---	---	---	0.2	[5]	---	---	---	---	0.3	[5]
Premium subsidy for COBRA continuation coverage	---	---	---	---	---	---	[5]	---	---	---	---	---	[5]	---
Subsidies for participation in exchanges	---	---	---	---	---	---	---	---	20.5	44.5	76.5	95.9	141.6	237.5
Earned income credit	---	---	---	---	---	---	51.4	53.2	58.0	57.7	57.6	56.8	277.9	283.2
[5] Positive tax expenditure of less than \$50 million.														
[6] In addition to the amounts above, the excise tax credit for alcohol fuel mixtures results in a reduction in excise tax receipts of \$1.6 billion over fiscal years 2012-2016, and less than \$50 million over fiscal years 2013-2017.														
[7] Includes bonus depreciation and general acceleration under MACRS.														
[8] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided childcare purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.														
[9] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008														
[10] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.														
[11] In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rules.														
[12] Estimate includes employer-provided health insurance purchased through cafeteria plans.														
Source: Joint Committee on Taxation														

VIII. Committee Votes

COMMITTEE VOTES

On March 13, 2013, Chairman Murray presented a "Chairman's Mark" for the fiscal year 2014 Budget Resolution to the Committee.

On March 14, 2013, the following votes were taken during the Committee markup of the fiscal year 2014 Budget Resolution:

- (1) Warner-Kaine-Johnson amendment to create a deficit-neutral reserve fund to improve Federal benefits processing.

Amendment agreed to by:

Yeas: 22

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King, Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 0

- (2) Sessions-Ayotte amendment to balance the Democrats' budget by 2023.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

- (3) Coons-Stabenow-Warner amendment to create a deficit-neutral reserve fund to improve voter registration and the voting experience in Federal elections.

Amendment agreed to by:

Yeas: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

Nays: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

(4) Johnson amendment to establish a Senate point of order against a budget resolution that does not achieve a unified budget surplus by 2023.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(5) Sanders amendment to create a deficit-reduction reserve fund to promote corporate tax fairness.

Amendment agreed to by:

Yeas: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

Nays: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

(6) Merkley amendment to create a deficit-neutral reserve fund for improving federal forest management.

Amendment agreed to by voice vote.

(7) Enzi amendment to strike the reconciliation instructions for revenue-raising tax reform.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(8) Grassley amendment to provide reconciliation instructions to the Committee on Finance for revenue neutral tax reform.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(9) Kaine-Coons amendment to amend the deficit-neutral reserve fund for America's servicemembers and veterans.

Amendment agreed to by voice vote.

(10) Wyden-Stabenow amendment to amend the deficit-reduction reserve fund for government reform and efficiency.

Amendment agreed to by voice vote.

(11) Crapo amendment to amend the reconciliation instruction to include instructions to the Committee on Finance to achieve the Democrats' stated goal of \$275 billion in mandatory health care savings.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(12) Warner-Portman amendment to create a deficit-neutral reserve fund for financial transparency.

Amendment agreed to by voice vote.

(13) Ayotte amendment to establish a Senate point of order against the consideration of a budget resolution that includes tax increases while the unemployment rate is above 5.5 percent.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley,
Coons, Baldwin, Kaine, King

(14) Baldwin-Stabenow-Coons amendment to create a deficit-neutral reserve fund to promote manufacturing in the United States.

Amendment agreed to by voice vote.

(15) Toomey amendment to establish a Senate point of order prohibiting the consideration of a budget resolution that includes tax increases while the rate of employment growth is low.

By unanimous consent, Members were recorded as having voted as they did on the Ayotte amendment, number 13.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte,
Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley,
Coons, Baldwin, Kaine, King

(16) Warner-Crapo amendment to create a deficit-reduction reserve fund for report elimination or modification.

Amendment agreed to by voice vote.

(17) Crapo-Ayotte amendment to establish a Senate point of order against provisions of appropriations legislation that constitute changes in mandatory programs affecting the Crime Victims Fund.

Amendment agreed to by voice vote.

(18) Wicker-Johnson-Ayotte amendment to repeal the \$1.8 trillion in new spending under the President's health care law.

By unanimous consent, Members were recorded as having voted as they did on the Ayotte amendment, number 13.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(19) Sanders-Merkley amendment to create a deficit-neutral reserve fund for the minimum wage.

Amendment agreed to by:

Yeas: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

Nays: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

(20) Merkley-Wyden-Coons-King amendment to amend the deficit-neutral reserve funds to promote employment and job growth.

Amendment agreed to by voice vote.

(21) Johnson amendment to require transparent reporting on the ongoing costs to taxpayers of Obamacare.

Amendment agreed to by voice vote.

(22) Johnson amendment to require fuller reporting on possible costs to taxpayers of Obamacare.

Amendment agreed to by:

Yeas: 16

Nelson, Whitehouse, Warner, Merkley, Coons, King, Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 6

Murray, Wyden, Stabenow, Sanders, Baldwin, Kaine

(23) Portman amendment to require the Congressional Budget Office to include macroeconomic feedback scoring of legislation.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(24) Graham amendment to reduce Medicare subsidies to wealthy beneficiaries.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(25) Nelson-Coons-Baldwin amendment to create a deficit-neutral reserve fund to improve health outcomes and lower costs for children in Medicaid.

Amendment agreed to by voice vote.

(26) Sessions amendment to reduce the projected 80 percent growth in welfare spending.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(27) Ayotte amendment to reduce spending by the amounts necessary to ensure that Members of Congress cannot accept a pay raise in the budget window.

Amendment agreed to by voice vote.

(28) Portman amendment to provide a deficit-reduction reconciliation instruction to the Committee on the Judiciary.

Amendment defeated by voice vote.

(29) Portman-Whitehouse-Warner-Ayotte-Wicker amendment to create a deficit-neutral reserve fund to improve workforce development, job training, and reemployment programs.

Amendment agreed to by voice vote.

(30) Sessions amendment to create a deficit-neutral reserve fund to end payment of federal funds used in promoting nutrition programs through any partnerships between federal agencies and foreign embassies.

Amendment defeated by:

Yeas: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

Nays: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

(31) Final Passage

Measure adopted by:

Yeas: 12

Murray, Wyden, Nelson, Stabenow, Sanders, Whitehouse, Warner, Merkley, Coons, Baldwin, Kaine, King

Nays: 10

Sessions, Grassley, Enzi, Crapo, Graham, Portman, Toomey, Johnson, Ayotte, Wicker

IX. Committee Views and Estimates

DEBBIE STABENOW, MICHIGAN
CHAIRWOMAN

PATRICK J. LEAHY, VERMONT
TOM HARKIN, IOWA
MAX BAILEUS, MONTANA
SHERROD BROWN, OHIO
ROBERT P. CASEY, JR., PENNSYLVANIA
AMY KLOBUCHAR, MINNESOTA
MICHAEL BENNET, COLORADO
KRISTEN GILLIBRAND, NEW YORK
JOE DONNELLY, INDIANA
HEIDI HEITKAMP, NORTH DAKOTA

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION AND FORESTRY
WASHINGTON, DC 20510-6000

202-224-2035

March 4, 2013

THAD COCHRAN, MISSISSIPPI
RANKING REPUBLICAN MEMBER

MITCH MCCONNELL, KENTUCKY
PAT ROBERTS, KANSAS
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JOHN THUNE, SOUTH DAKOTA

The Honorable Patty Murray
Chairman
Committee on the Budget
624 Dirksen Senate Building
Washington, DC 20510

The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
624 Dirksen Senate Building
Washington, DC 20510

Dear Chairman Murray and Senator Sessions:

In response to your February 8, 2013 letter and pursuant to section 301(d) of the Congressional Budget Act of 1974, we write to provide views and estimates of the U.S. Senate Committee on Agriculture, Nutrition, and Forestry regarding the fiscal year (FY) 2014 budget resolution. We thank you for this opportunity to share these important recommendations for the FY 2014 budget process.

The Agriculture Committee's jurisdiction includes a number of significant programs covering food, agriculture, forestry, and related matters. Mandatory spending in our jurisdiction includes commodity programs, conservation, nutrition, agricultural trade, international food assistance, energy, rural economic development, research and crop insurance. The Committee also authorizes a range of programs funded through annual appropriations.

Last year, the Agriculture Committee worked tirelessly to complete work on the Farm Bill, the comprehensive legislation that reauthorizes the nation's farm and food programs and includes most of the mandatory and discretionary spending programs under the jurisdiction of the Committee. The Committee reported a measure in April that contributed significant budgetary savings from programs in the Committee's jurisdiction, and the full Senate approved that legislation with some modifications in June. Because the legislative process was not completed last year, the Committee is currently preparing for reauthorization again in this Congress--building on the considerable effort that went into the bill passed by the Senate last June. The Committee continues to assert that the best way to achieve deficit reduction and improve government performance is through common sense reforms in the programs under the Committee's jurisdiction.

The February 2013 Congressional Budget Office (CBO) baseline projects mandatory spending outlays under the Agriculture Committee's jurisdiction to be \$128.079 billion in FY 2013; decreasing to \$119.090 billion in FY 2014. Overall, mandatory spending under our jurisdiction is projected to decrease from FY 2013 by about 0.24 percent per year to \$125.008 billion by FY 2023. We note that this includes spending for child nutrition programs within the jurisdiction of our Committee, which is expected to increase from \$20 billion in FY 2013 to \$29 billion in FY 2023. Excluding child nutrition programs, the ten year total farm bill baseline decreased by two percent from \$995 billion in the March 2012 baseline to \$976 billion in the February 2013 baseline. By contrast, CBO projects mandatory spending in the Federal budget

outside the jurisdiction of our Committee to grow 5.6 percent per year from \$2.116 trillion for FY 2013 to \$3.658 trillion by FY 2023. In FY 2023, mandatory spending under the Agriculture Committee's jurisdiction is projected to account for 3.4 percent of total mandatory spending by the Federal government, down from 6.1 percent in FY 2013.

Moreover, important components of the farm bill and spending in the Committee's jurisdiction, such as the farm safety net, the federal crop insurance programs, and conservation programs that provide vital risk management for farmers faced with uncertain weather and market fluctuations. In addition to these critical tools for farm families and the rural communities they support, the Supplemental Nutrition Assistance Program (SNAP) provides vital assistance for those families who cannot afford to put food on the table, particularly in difficult economic times. The February 2013 baseline projects spending for these important programs under the Committee's oversight to decrease-- which, notably, will be a decrease on top of reductions already made in recent years.

Specifically, with respect to farm and risk management programs, the February 2013 baseline projects a net decrease in spending of just under \$5 billion (\$4.96 billion) over the next 10 years. CBO estimates that crop insurance expenditures will decrease from \$91 billion to \$85 billion over the next ten years. When looking at this reduction, it is most notable that crop insurance has already been reduced twice-- once in the most recent renegotiation of the Standard Reinsurance Agreement between the Federal government and the private crop insurance companies which cut \$6 billion from the program, and again in the 2008 Farm Bill which cut \$6.4 billion from the program.

In nutrition programs, CBO estimates that SNAP expenditures will decrease by nearly 11 percent from \$82 billion in FY 2013 to \$73 billion in FY 2023. Overall, CBO estimates that as the economy strengthens SNAP spending will decrease by \$11 billion over the next ten years going from \$772 billion to \$761 billion. In considering these reductions, it is important to recognize that funding for SNAP was already cut by \$14.5 billion on two recent occasions-- in the FAA Air Transportation Modernization and Safety Improvement Act (P.L. 111-226), which reduced SNAP benefits by \$11.9 billion, and the Healthy, Hunger-Free Kids Act (P.L. 111-296), which further reduced SNAP spending by \$2.5 billion. Additionally, in November 2013, all SNAP households will face a reduction in benefits. For families of three, the cut will be \$20 to \$25 a month or as much as \$240 to \$300 a year.

We respectfully request that the Budget Committee adhere to the work of the Agriculture Committee and the entire Senate from last year. It is the Committee's intent to write and pass a five-year farm bill in 2013 that will once again include significant savings from our policy reforms from the mandatory accounts in our jurisdiction, and we recommend that these savings be reflected in the budget resolution.

Further, we ask that the budget resolution provide adequate discretionary funding for the important programs in our Committee's jurisdiction that rely on annual appropriations, such as food safety, forestry, nutrition, research, trade, rural development, conservation, biomass research and development, renewable energy projects, and agricultural credit programs. With

sufficient resources, the Appropriations Committee can meet these needs without having to resort to restrictions on mandatory funding.

Thank you for this opportunity to provide views and estimates for the FY 2014 budget resolution process. We look forward to working with you on this important task.

Sincerely,



Senator Debbie Stabenow
Chairwoman



Senator Thad Cochran
Ranking Member

BARBARA A. MIKULSKI, MARYLAND, CHAIRWOMAN
 PATRICK J. LEAHY, VERMONT
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United States Senate

COMMITTEE ON APPROPRIATIONS
 WASHINGTON, DC 20510-6025
<http://appropriations.senate.gov>

March 8, 2013

The Honorable Patty Murray
 Chairman
 Committee on the Budget
 United States Senate
 Washington, DC 20510

Dear Chairman Murray:

In the absence of a budget request for fiscal year 2014, the Appropriations Committee has made certain assumptions about the likely proposals that the Administration will request in formulating our views on the budget. First, we assume the budget will request funding at the levels provided under the Budget Control Act for fiscal year 2014. Second, we assume that the President will submit a request for Program Integrity cap adjustments in the same manner as requested in fiscal year 2013. Third, we assume the Pell Grant program will be fully funded in the request. Fourth, we assume the Administration will continue to request funding reductions in programs like the Low Income Home Energy Assistance Program, National Guard and Reserve Equipment, Children's Hospital Graduate Medical Education and dozens of other programs that enjoy broad bi-partisan support in the United States Senate. Finally, we assume the Administration will request a series of fee adjustments and other spending offsets which do not have the support of the Senate.

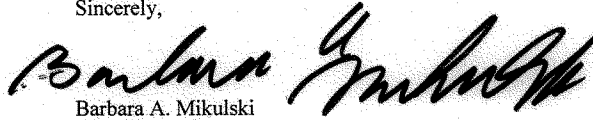
With these basic assumptions, the Committee requests that the Budget Committee allocate funding in accordance with the Budget Control Act caps. Funding at this level will not be sufficient to provide for all of the Administration's priorities while still preserving necessary funds and congressional priorities. However, in light of the congressionally approved BCA limits, we recognize that no additional funding can be allocated notwithstanding the need. Second, we urge the Budget Committee to ensure that sufficient outlays are provided in the resolution to preserve the historical spending pattern of Appropriations bills, and not be based on a hypothetical across the board reduction which, as you know, is divorced from the reality of the Appropriations process. Third, we urge the Committee to include the cap adjustments as requested in the President's budget request with the assumption they are consistent with recent practice by the current Administration. Fourth, we request the Budget Committee to resist changes in classification of discretionary and mandatory funding such as was requested by the Administration last year on surface transportation funding, but in any event ensure that sufficient

The Honorable Patty Murray
March 8, 2013
Page 2

discretionary funds are allocated if any such changes are contemplated. Finally, we would urge the Budget Committee to refrain from including funding reductions under its Allowance function which not only undercut the establishment of clear priorities in the budget resolution, but mandate unjustified program reductions in Appropriations bills.

I appreciate the opportunity to express my views on behalf of the Committee and look forward to working with you as we ensure that essential government services are preserved in this era of fiscal austerity.

Sincerely,

A handwritten signature in black ink, appearing to read "Barbara Mikulski", with a stylized flourish at the end.

Barbara A. Mikulski
Chairwoman

CARL LEVIN, MICHIGAN, CHAIRMAN

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United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

RICHARD D. DEBORDES, STAFF DIRECTOR
JOHN A. BONSELL, MINORITY STAFF DIRECTOR

March 1, 2013

Honorable Patty Murray
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Patty and Jeff:

In accordance with your request, we are forwarding our recommendations for the FY 2014 budget resolution. As you know the Department of Defense faces an unprecedented level of fiscal uncertainty. Congress has not completed action on FY 2013 appropriations, the government is operating under a continuing appropriations resolution that expires on March 27, and the FY 2014 budget has been delayed. Additionally, discretionary accounts face sequestration starting on March 1. Sequestration is expected to increase the cost of defense programs, placing additional demands on the DOD budget in the long run. We urge our colleagues to support passage of full-year FY 2013 appropriations as well as legislation that would eliminate sequestration in FY 2013.

Normally, the Committee would use the President's budget submission as the starting point for developing our recommendations for the FY 2014 budget resolution. While we do not have a 2014 request the Committee notes that last year's budget, submitted to the Congress on February 13, 2012, projected \$579.7 billion in discretionary budget authority for the Department of Defense in FY 2014. This total included \$535.5 billion for the base budget and \$44.2 billion for overseas contingency operations. The budget request also projected \$17.2 billion for defense programs in the Department of Energy in FY 2014. Last year's budget request, together with the out-year budget projections, was developed pursuant to a new defense strategy released in January 2012. We anticipate that meeting our national security requirements and providing for our men and women in uniform and their families will require the FY 2014 National Defense discretionary and mandatory budget projections that were included in last year's budget submission. We recommend that the budget resolution for fiscal year 2014 include the projected amounts of budget authority and the associated outlays (subject to any technical revisions by the Congressional Budget Office) for national defense.

If sequestration is implemented over the next seven months, it will impose significant long-term costs on the Department of Defense to recover acceptable readiness levels and carry out the national military strategy. Accordingly, if Congress is unable to enact legislation avoiding sequestration, we recommend that the base budget for the Department of Defense be increased by two to three percent to enable the Department to address these problems. If such legislation is enacted, the increase in funding will not be necessary.

The committee recognizes the requirement pursuant to section 411 of the fiscal year 2010 budget resolution that directed Committees to review programs in their jurisdictions to eliminate waste, fraud, and abuse, and to include recommendations for improving government performance. Last year, the Committee was responsible for the enactment of the FY 2013 National Defense Authorization Act (NDAA) which reduced the authorization levels for the Department of Defense and the national security functions of the Department of Energy by \$29 billion when compared with the levels authorized in FY 2012.

The FY 2013 NDAA included a number of cuts to the President's budget request. For example, the FY 2013 NDAA: cut more than \$660.0 million from the President's budget for military construction and family housing projects; prohibited the obligation or expenditure of FY 2013 funds for the Medium Extended Air Defense System eliminating a \$400.9 million expenditure; cut \$200.0 million from the Commander's Emergency Response Program; cut \$197.0 million from Army and Marine Corps' ammunition procurement accounts; cut \$190.0 million for the Joint Tactical Radio System; cut \$175.0 million from excess unobligated balances; and cut \$77.1 million from the request for development of the KC-46A aircraft program.

In addition, the FY 2013 NDAA included a number of provisions to improve defense contracting and reduce waste in the operations of the Department of Defense. For example, the legislation:

- Requires the Secretary of Defense to implement a plan to rebalance and reduce the DOD civilian employee workforce and service contractor workforce, achieving a savings of 5 percent in each workforce over a 5-year period while providing the Secretary flexibility to exclude critical elements of the workforce and to phase in reductions.
- Improves the cost-effectiveness of DOD contracting by strictly limiting the use of cost-type contracts for the production of major weapon systems; enhancing protections for contractor employee whistleblowers; restricting the use of "pass-through" contracts; and clarifying DOD access to contractor cost- and price- information.
- Strengthens the authority of the senior DOD official responsible for developmental testing on major defense acquisition programs.
- Restricts the use of "pass-through" contracts by requiring a contracting officer determination to support any contract on which more than 70 percent of the work will be performed by subcontractors.

- Requires DOD to review its existing profit guidelines and revise them as necessary to ensure an appropriate link between contractor profits and contractor performance.
- Requires DOD and other agencies to conduct risk assessments and take steps to mitigate significant risks associated with contractor performance of critical functions in support of overseas contingency operations.
- Requires DOD and other agencies to establish clear chains of responsibility for key acquisition functions in support of overseas contingency operations.
- Added funds to support the DOD Corrosion Prevention and Control program. DOD estimates that corrosion in military equipment costs the Services over \$22.0 billion per year; expenditures in this area have yielded an estimated 14:1 return on investment by reducing the bill for repair and replacement of corroded systems and parts.
- Added funds to support the DOD Inspector General (IG), to enable the IG to continue growth designed to provide more effective oversight and help identify waste, fraud, and abuse in DOD programs, especially in the area of procurement. DOD IG reviews resulted in an estimated \$2.6 billion savings in FY11 – a return on investment of \$8.79 for every \$1 spent.

The committee will continue to develop recommendations to improve the efficient management of taxpayer funds, including identifying additional savings across the full range of defense programs.

The Committee notes that last year the Department of Defense submitted a program that included \$487 billion in budget cuts over ten years. The Secretary of Defense has testified that the additional cuts required by sequestration would be devastating to defense programs and would require a new strategy with an unacceptable degree of risk to our national security. The Chairman of the Joint Chiefs of Staff has also stated that the military cannot absorb such cuts without direct impacts to missions and capabilities. We agree with these assessments and urge the Budget Committee to develop a plan that avoids sequestration.

At this time, absent receipt of the FY 2014 budget request, we believe that the funding levels we are recommending will allow us to meet our current national security requirements. We may wish to amend our recommendations after receipt of the budget request and we look forward to working with you to create a budget that supports our national security.

Sincerely,



James Inhofe
Ranking Member



Carl Levin
Chairman

TIM JOHNSON, SOUTH DAKOTA, CHAIRMAN
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 TOM COBURN, OKLAHOMA
 DEAN HELLER, NEVADA

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS

WASHINGTON, DC 20510-6075

March 1, 2013

The Honorable Patty Murray
 Chairwoman
 Senate Committee on the Budget
 624 Dirksen Senate Office Building
 Washington, DC 20510

The Honorable Jeff Sessions
 Ranking Member
 Senate Committee on the Budget
 624 Dirksen Senate Office Building
 Washington, DC 20510

Dear Chairwoman Murray and Ranking Member Sessions:

This letter transmits the views and estimates of the Committee on Banking, Housing and Urban Affairs regarding the funding of programs in our jurisdiction, as required by Section 301 of the Congressional Budget Act of 1974. As requested, this letter comments on funding levels relative to CBO's FY 2014 baseline. We know that additional, difficult choices will need to be made as Congress reconciles these levels with the initial spending caps adopted in the Budget Control Act. We have not addressed the additional impact of spending cuts mandated by the sequester, which will cause dramatic reductions in many non-exempt programs under our jurisdiction if Congress cannot agree to a more balanced approach to deficit reduction.

We understand we are operating within a constrained budget environment, and offer the following information on the needs and issues in our jurisdiction to inform your Committee in its work. We believe that a stable, well-regulated financial services industry is critical to restoring consumer confidence and continuing our economic recovery. We are also acutely aware of the hardships imposed by the economic downturn on vulnerable Americans and the critical role that federal assistance plays in meeting their housing needs. Lastly, we recognize the vital role of public transportation for millions of Americans who need affordable and accessible options to travel to work, or to access healthcare and other services. It is with these concerns in mind that we put forward these recommendations.

Strengthening Financial Oversight and Protections for Consumers and Investors

The Committee continues to closely monitor the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Wall Street Reform Act) to restore confidence in our financial system while better protecting consumers, investors and taxpayers. Many of the rulemakings required by the Wall Street Reform Act are being completed by independent financial regulators, a few of which are funded through the appropriations process. They have not received needed additional funding to complete rulemakings and better oversee the financial system. Specifically, with respect to the congressional budget and appropriations in fiscal year (FY) 2014, funding for the Securities and Exchange Commission (SEC) is vital to strengthening regulatory oversight of financial institutions and trading activity. The Wall Street Reform Act authorized \$2 billion to fund the SEC for FY 2014. The FY 2014 CBO baseline level of \$1.356

Chairwoman Murray
 March 1, 2013
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billion is well below the funding necessary for the SEC to carry out its mandates, and even lower than the amount SEC projects that it will collect from fees on securities transactions and send to the Treasury. In addition to carrying out its core mission to protect investors in the U.S. capital markets, the SEC continues to implement measures required by the Wall Street Reform Act, such as oversight of credit rating agencies, corporate disclosures, investment advisors, and hedge funds. It also continues to work to improve transparency and modernize its technological capabilities. Moreover, as a voting member of the Financial Stability Oversight Council created by the Wall Street Reform Act, the SEC has assumed additional responsibilities to promote financial stability.

The SEC is also working in close coordination with the Commodity Futures Trading Commission (CFTC) to carefully craft a new framework for regulating the derivatives market. The FY 2014 CBO baseline level of \$210 million for the CFTC would be an amount that represents a practical four-year freeze in the amount appropriated for FYs 2011, 2012, 2013, and 2014. This freeze would continue despite the fact that CFTC enforcement actions are projected to yield over \$1 billion in revenues for the Treasury in FY 2013 alone. Fully funding the President's previously-requested amount for FY 2013 of \$308 million for the CFTC would help provide the resources critical to the CFTC's expanded role (along with the SEC) to regulate the more than \$300 trillion U.S. derivatives market. To improve regulation of our financial system and reduce systemic risk, both agencies need to be provided additional resources to implement the Wall Street Reform Act and monitor the securities and derivatives markets. The current baseline numbers are wholly inadequate to protect the integrity of our financial system, and we strongly urge you to provide full funding for the SEC and CFTC.

Housing Finance Reform

The Committee continues to examine the reform of the nation's housing finance system, which, having suffered its worst shocks since the Great Depression, is gaining strength but remains fragile. In our examination, the Committee has held hearings in the past two years on a wide range of topics, including: the continued affordability of 30-year, fixed-rate, prepayable mortgages; equal access for lenders to the secondary market; equal access for all borrowers and market segments, including rural areas, to the mainstream housing finance system; stable, liquid and efficient mortgage markets for single family and multifamily housing; and improved mortgage servicing procedures. We continue to review these complex issues through additional, bipartisan hearings and soliciting the views of a broad array of parties. We are undertaking this effort in an attempt to find areas of consensus for possible legislation. Please include a budget-neutral reserve fund for such legislation within the FY 2014 Budget Resolution.

Housing and Community Development Programs

While we continue to see improvement in the national economy, our families and our state and local governments continue to struggle to overcome the effects of the economic recession that began in 2008. In January 2013, the unemployment rate, while improved over this time last year, stands at 7.9 percent, and 15.4 percent of Americans were unemployed or working less than they

Chairwoman Murray
 March 1, 2013
 Page 3 of 10

want to. According to the U.S. Census Bureau, the nation's poverty rate stood at 15 percent (46.2 million Americans) in 2011. State and local government budgets and services continue to face cuts. Foreclosures continue to confront many American families and communities. These challenges make funding for the U.S. Department of Housing and Urban Development (HUD) and the housing programs of the U.S. Department of Agriculture (USDA) all the more important.

Millions of Americans faced unmet housing needs prior to the current economic crisis because the market does not provide sufficient housing affordable to low-wage workers and those on low fixed incomes. Currently, a person with a full-time job would need to earn an hourly wage of \$18.25 in order to afford a modest, two-bedroom rental at HUD's national average fair market rent. This is an amount far above the minimum wage or income available to persons with disabilities who rely upon Supplemental Security Income. Families burdened by housing costs have less available to meet other essential needs like transportation to work, food, and medicine, and may even face homelessness.

The recession has aggravated America's housing crisis. Although counterintuitive in a time when housing values in most markets remain below peak levels, housing has become less affordable for lower-income families since the beginning of the housing collapse. HUD's most recent housing needs study found that 8.5 million very-low income renter households had worst-case housing needs in 2011, meaning that they were spending more than half of their incomes for housing or were living in substandard conditions. This number is 1.4 million greater than in 2009 and represents a 43.5 percent increase from 2007.

According to HUD, an increase in the number of renter households, declining incomes, increased competition for units affordable to lower-income families, and a shortage of rental assistance contributed to the growth in worst-case needs. For every 100 extremely-low-income renters (those with incomes at or below 30 percent of area median) in 2011, there were only 36 units of adequate, affordable housing available. Among very-low income renters (those with incomes at or below 50 percent of area median), only 65 affordable units were available for every 100 renters. Only one in four eligible renter households receive federal rental assistance.

In light of this tremendous need, the Committee encourages you to provide sufficient funding to maintain current levels of housing and community development assistance within the appropriated programs of HUD and the USDA's Rural Housing Service in the FY 2014 Budget Resolution. In many cases, these needs will exceed the amounts provided in the FY 2014 baseline, for reasons including: escalating rents in the private market, preservation of existing housing that would otherwise be lost to physical obsolescence or expiring affordability contracts, renewal of assistance previously funded under multi-year contracts, and the need to adjust for previous, one-time savings that are no longer available. We also request that you support key funding initiatives as discussed below. We also support \$1 billion in mandatory funding for the Housing Trust Fund.

Chairwoman Murray
 March 1, 2013
 Page 4 of 10

Strengthening the Housing Market and Helping Responsible Homeowners

Slow recovery of the housing market continues to confront many families, communities, and the broader economy. In addition to negative effects on families and the economy, foreclosures have a deleterious effect on neighborhoods by reducing neighboring property values and opening opportunities for crime and blight. In order to help responsible homeowners secure sustainable mortgage products and options for saving their homes, Congress has funded housing counseling and foreclosure mitigation counseling through HUD and the Neighborhood Reinvestment Corporation (NeighborWorks America). We urge you to include strong funding for these activities in the FY 2014 budget.

We encourage you to provide administrative funding necessary to strengthen the Federal Housing Administration's oversight and processing of its lending programs. The Federal Housing Administration (FHA) is now playing an important countercyclical role in the American mortgage market, and it must have the tools to do so responsibly. The Committee will continue its oversight of the solvency of the FHA's Mutual Mortgage Insurance Fund in 2013, taking actions where necessary to strengthen the fund.

Finally, the Committee held several hearings in 2012 regarding proposals to help responsible homeowners and stabilize the housing market. These proposals have included a number of policy ideas, including promoting more refinancing at the extraordinarily low interest rates that we have today. We ask that you please include a budget-neutral reserve fund for such legislation within the FY 2014 Budget Resolution.

Housing Trust Fund

The Committee continues to support previous Administration requests to capitalize the Housing Trust Fund with \$1 billion. Congress authorized the Housing Trust Fund to finance the development, rehabilitation, and preservation of deeply-targeted, affordable housing for low-income households. The Housing Trust Fund is particularly important at this time to meet America's severe housing needs while creating construction and real estate management jobs. Please include \$1 billion in mandatory funding to capitalize the Housing Trust Fund in the FY 2014 Budget Resolution.

Rental Assistance

Given America's affordable housing needs, it is critical that the FY 2014 budget fully fund existing rental housing assistance programs and preserve this valuable rental assistance. These include HUD's Section 8 Project-Based Assistance and Section 8 Tenant Based Rental Assistance (Voucher) programs as well as the rural Section 521 Rental Assistance program provided through the Department of Agriculture. These funds help millions of the lowest-income families, seniors, and persons with disabilities secure affordable housing.

HUD's Section 8 Project-Based Rental Assistance program provides critical affordable housing to over 1.2 million households. The Department of Agriculture's Section 521 Rental Assistance

Chairwoman Murray
 March 1, 2013
 Page 5 of 10

program helps over 200,000 families secure affordable housing in rural America. Please provide sufficient funding to maintain current assistance and preserve this affordable, project-based housing in FY 2014.

The Section 8 housing voucher program is a public-private partnership that has successfully allowed millions of families to live in stable, safe housing. Half of the over 2 million households receiving voucher assistance are families with children. These vouchers are critical to connecting families with stable housing. However, the housing voucher program is so oversubscribed that waiting lists in most communities are months or years long, or closed completely. Increased funding over the FY 2014 baseline amount will be necessary to maintain the current levels of assistance in the voucher program and to enable local administering agencies to assist families and ensure program integrity. We strongly support these goals. Please provide sufficient funding in the FY 2014 budget to maintain assistance to struggling families.

Please also include funding in your budget for additional Section 8 housing vouchers, including additional vouchers for the HUD Veteran's Affairs Supportive Housing program (HUD-VASH). This program is a successful HUD-VA partnership that helps veterans escape homelessness through a combination of housing and supportive services and will further the federal government's goal of ending veterans' homelessness. Concerted efforts such as VASH have helped reduce veterans' homelessness by 17 percent since 2009, but nearly 63,000 veterans remained homeless on a single night in January 2012.

Public Housing

Public Housing provides a home to 1.2 million low-income American families, over half of which are headed by an elderly person or persons with disabilities, and many of which include children. The Public Housing Operating Fund supports daily public housing operations, including maintenance, security, and utilities. An increase over the FY 2014 baseline will be necessary in order to maintain current levels of operating assistance in FY 2014, in part because the baseline continues to reflect a one-time savings of \$750 million enacted in FY 2012. We ask you to provide full funding for housing agency operations in the FY 2014 Budget Resolution.

Despite the large historic federal investment in public housing, the federal government has not provided adequate funding to maintain this valuable affordable housing, threatening its long-term viability. The public housing inventory faces a tremendous backlog of capital repairs, currently estimated at \$26 billion. Investment in public housing repairs also spurs the economy. A recent report found that for every dollar the American Recovery and Reinvestment Act of 2009 (Recovery Act) invested in public housing capital repairs, it generated more than two more in indirect economic activity. We urge the Committee to continue to improve public housing by providing sufficient funding to maintain at least current services for the Public Housing Capital Fund in the FY 2014 budget.

Chairwoman Murray
 March 1, 2013
 Page 6 of 10

Homeless Assistance

According to HUD's latest Annual Homeless Assessment Report to Congress, approximately 634,000 people were homeless on a given night in January 2012. Nearly 240,000 of the homeless on this night were in families including at least one child.

To help combat homelessness, please provide full and robust funding for HUD's homeless programs authorized by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH). The HEARTH Act streamlined and consolidated multiple competitive funding streams into one unified program. Full funding for HEARTH will continue the cost-effective progress we have made in reducing chronic homelessness through investments in permanent, supportive housing. In addition, HEARTH provided new opportunities and flexibility for communities to help families facing hard times avoid or quickly escape homelessness and to develop solutions to rural homelessness. Full funding for the Emergency Solutions Grants (ESG) component of HEARTH Act will help communities continue the successful homelessness prevention efforts begun under the Homeless Prevention and Rapid Re-Housing program (HPRP) funded by the Recovery Act. HPRP helped over 1.2 million Americans escape homelessness during the Great Recession, but its funds have been exhausted. The FY 2014 baseline funding level of \$1.94 billion is nearly \$300 million less than the amount requested by the Administration in FY 2013 in order to renew existing permanent supportive housing and to fund ESG activities.

Housing for Special Populations

We urge you to provide full funding for housing programs serving our nation's seniors, persons with disabilities, and persons with AIDS in the FY 2014 Resolution. The Section 202 program creates and maintains affordable housing for the elderly. There are 10 seniors waiting for every available housing unit. As the senior population grows, we must ensure that more seniors can find suitable living arrangements. The growing senior population presents a challenge to our Nation. Please provide full funding for these activities for FY 2014.

Similarly, the Section 811 program creates critical affordable housing for persons with disabilities. Low income people with disabilities have great difficulty in finding and paying for stable supportive housing. The national average rent is higher than the average SSI payment, so a person receiving SSI benefits is unable to afford housing without substantial additional income. Over 1.3 million very low-income, non-elderly persons with disabilities pay over half of their incomes for housing, and hundreds of thousands more are living in more restrictive, institutional environments than they would choose or are living with an aging caregiver. In 2010, Congress enacted bipartisan legislation modernizing the program with new tools for development and tools to make Section 811 funds work more effectively with other funding sources. Please maintain full funding for Section 811 activities for FY 2014.

The Housing Assistance for Persons with AIDS (HOPWA) program provides critical housing support for citizens living with AIDS. Approximately 72 percent of people living with

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HIV/AIDS need some form of housing assistance. A growing body of research suggests that stable housing provides affected persons with both better health outcomes and reductions in risky behaviors. We urge you to continue our national commitment to HOPWA for FY 2014.

HOME and Community Development Block Grant (CDBG) Programs

The FY 2014 budget must continue to assist our state, local and tribal government partners to make critical housing, community, and economic development investments in the coming year. We urge you to maintain at least current services in the HOME and CDBG programs in your FY 2014 resolution.

The CDBG program helps rural, suburban, urban, and Native communities to meet their urgent housing and community development needs. For example, in the last decade, CDBG has rehabilitated more than 1.4 million homes for low- and moderate-income homeowners and renters. Between 2007 and 2011, CDBG provided assistance to help over 174,000 businesses expand operations and create and retain local jobs. Indian Community Development Block Grants are an important source of funding for critically-needed housing and infrastructure development in Indian Country. These funds make long-term improvements in our cities, and rural and Indian communities across the country while supporting families and saving and creating jobs.

Since its inception, the HOME program has provided over 1 million units of affordable housing for low-income Americans. HOME has leveraged \$3.94 for every dollar appropriated, often providing critical gap funds that enable Low Income Housing Tax Credit and other affordable housing development to move forward. Congress and HUD have taken steps to improve program administration and accountability. Given the importance of these funds to affordable housing production and their successful use in so many communities, please continue your support of the HOME program as we oversee HUD's efforts to ensure that grantees are held accountable for their use of HOME funds.

Native American and Hawaiian Housing Assistance

American Indian, Alaska Native, and Native Hawaiian communities face ongoing challenges stemming from high unemployment and poverty, unique difficulties in financing housing and community improvements, and economic development needs. Many of these communities suffer from a severe shortage of decent quality, affordable housing and homeownership opportunities. HUD offers both grants and loan guarantee programs to provide necessary capital and liquidity to create and improve housing in these areas. Funding for the Native American and Native Hawaiian Housing Block Grants helps alleviate the lack of adequate housing in these communities. Please provide sufficient funding to fulfill our treaty and trust responsibilities to these communities.

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Rural Housing

The housing programs of USDA's Rural Housing Service support homeownership and affordable housing efforts in rural communities across the nation. We are concerned that funding has been reduced in recent years for several programs that serve critical needs in rural America, including the Section 502 direct loan program, which helps families in rural communities purchase homes, and Section 515 loans for multi-family housing production and physical repairs. The Multi-family Housing Revitalization Demonstration Program provides resources to preserve affordable rural rental housing. Please provide sufficient funding to support these activities in the FY 2014 Budget Resolution.

Safe and Healthy Homes

We also request your strong support for HUD's Office of Healthy Homes and Lead Hazard Control programs, which combat lead poisoning and other unhealthy housing conditions. Approximately 240,000 children under the age of six have blood lead levels high enough to cause irreversible neurological damage and learning disabilities. In addition to reducing the human costs of lead exposure, expenditures to prevent lead poisoning are cost-effective. For every \$1 spent to reduce home lead hazards, there is a benefit of at least \$17. Please continue to support these important programs in FY 2014.

Place-Based Initiatives

We request that the Budget Resolution provide funding for place-based efforts to help communities tackle persistent poverty and promote economic development. These include the Sustainable Communities Initiative, an initiative aimed at empowering communities to develop locally-designed, comprehensive plans to ease traffic congestion and promote affordable housing, energy independence, environmental sustainability, and economic development. Also included is the Choice Neighborhoods Initiative, which seeks to build on the lessons learned thus far from HUD's HOPE VI housing revitalization program. Local communities' desire for such assistance from the federal government far outstrips available funding.

Fair Housing

We urge you to fully fund fair housing activities at HUD. Predatory lending and mortgage rescue scams targeting minority communities are only the latest manifestation of discriminatory housing practices facing Americans. It is critical that HUD and private fair housing organizations around the country have the resources they need to adequately assist people and to enforce the Fair Housing Act.

Community Development Financial Institutions (CDFI) Fund

We ask you to support strong FY 2014 funding for CDFI Fund programs. The FY2014 baseline provides \$221 million for the CDFI Fund, which was established to serve the nation's most economically distressed communities by providing capital, credit, and other financial services that are typically unavailable from mainstream financial institutions. Within the CDFI program, the Native American CDFI Assistance program has been instrumental in helping fund effective

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organizations that address the economic development needs of these underserved and distressed communities. The loans and investments made by CDFIs have leveraged billions of dollars from the private sector in development activities in financially underserved and low-wealth communities. Demand for CDFI funding has grown and far surpasses amounts available. We urge the Budget Committee to continue to support this important program.

Flood Insurance

As demonstrated in Superstorm Sandy, flooding presents a real threat to the lives and property of Americans. In addition, catastrophic flooding presents a challenge to all taxpayers, as the nation seeks to help victims recover and repair critical infrastructure. Adequately updated flood maps are critical to the ability of families and communities to accurately assess their flood risks and take steps to mitigate them to avoid future damages. Congress has provided dedicated funding in recent years to ensure that FEMA has sufficient resources to modernize their maps and increase the risk analysis provided by these maps. The recently-enacted Biggert-Waters Act directed the Federal Emergency Management Agency to undertake a comprehensive effort to improve the quality and accuracy of its flood maps and authorized up to \$400 million per year to make such improvements. This increase in funding is critical to the National Flood Insurance Program and to millions of Americans who need to know if they are in harm's way. We request that the Budget Resolution fund flood mapping at a fiscally responsible level that allows FEMA to make these important improvements.

Terrorism Risk Insurance

Congress first authorized the Terrorism Risk Insurance Act (TRIA) in the aftermath of the September 11, 2001 terrorist attacks, when the private insurance industry became reluctant to offer affordable reinsurance to cover losses associated with terrorism. Since that time, TRIA has helped promote economic growth through commercial lending throughout the United States. While TRIA provides a necessary backstop to domestic insurance companies who are now required to offer coverage to large commercial properties against terrorist attacks, the federal government has never had to provide funds to any insurer under TRIA since it was first enacted in 2002. The program's current authorization expires on December 31, 2014. The Committee will continue to review the program and examine proposals to reauthorize TRIA before it is set to expire. Please include a budget-neutral reserve fund for such legislation within the FY 2014 Budget resolution.

Public Transportation

Through public transportation programs, the federal government supports states and localities in their efforts to develop multimodal transportation systems that meet the mobility needs of their citizens. In 2012, the Congress passed, and the President signed the "Moving Ahead for Progress in the 21st Century Act" or "MAP-21" which authorizes federal surface transportation programs, including public transportation programs for FY 2013 and FY 2014. MAP-21 authorizes formula grant programs supported by the Mass Transit Account of the Federal Highway Trust Fund that are designated as mandatory budget authority. MAP-21 also authorizes

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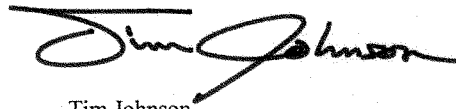
several important activities that receive annually appropriated discretionary funds, including the "Fixed Guideway Capital Investment Grants" program, also known as the "New Starts" program, which provides funding through multi-year grant agreements for large-scale transit construction projects, transit research and technical assistance activities, and administrative expenses for the Federal Transit Administration which oversees all public transportation grant programs.

Given historically high levels of transit ridership, the growing cost of traffic congestion, continued concern regarding gas prices, concerns over climate change, and a growing and aging population that increasingly demands improved public transit options, we believe that increased investment in public transportation is in our nation's long-term interest. Safe and efficient transit systems provide significant benefits both to transit riders and to others in the community, including employers, property owners, and automobile drivers. These benefits are important in both urban and rural communities. Transit trips in rural areas open economic, educational, healthcare and other opportunities for individuals that would otherwise face geographic isolation in more remote areas. In addition to the long-term benefits to our communities and our nation from investing in transit, these investments create much-needed, well-paying jobs in the near-term.

We hope that the Budget Resolution will include a strong level of public transportation funding. The transit funding authorized by MAP-21 reflects the growing demand for public transportation, the need to repair and expand transit infrastructure and facilities, and the increasingly important role public transportation plays in addressing many of the challenges facing our nation.

We know that you will face difficult choices as you seek to put our nation on a fiscally responsible path that permits ongoing investment in key initiatives that will promote economic growth and the well-being of our citizens. We strongly believe that adequate funding for financial regulation, housing and community development programs, and public transportation will help strengthen our economic recovery and build a stronger, more prosperous future. Thank you for your consideration of these views.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Johnson", with a stylized flourish extending from the end of the name.

Tim Johnson
Chairman

JOHN D. ROCKEFELLER IV, WEST VIRGINIA, CHAIRMAN

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United States Senate

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WASHINGTON, DC 20510-6125

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March 5, 2013

The Honorable Patty Murray, Chairman
The Honorable Jeff Sessions, Ranking Member
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions,

This letter provides the views of the Senate Committee on Commerce, Science, and Transportation regarding the fiscal year 2014 (FY 2014) Budget Resolution. These views are provided in response to your February 8, 2013 letter. Thank you for this opportunity to provide these views and recommendations regarding the FY 2014 budget. As you know, the Commerce Committee has a broad jurisdiction covering several departments and agencies, so not all agencies may be reflected in this letter.

Department of Transportation

Transportation Funding

The Moving Ahead for Progress in the 21st Century Act (MAP-21) authorized funding for highway, transit and surface transportation safety programs for fiscal years 2013 and 2014. Using a series of non-transportation-related "pay-fors" to help cover costs, MAP-21 authorized about \$105 billion for these two fiscal years. While federal surface transportation programs funded by the Highway Trust Fund have historically been supported by gas and diesel taxes and other transportation "user fees", funding levels have far surpassed funding sustained by these means. As a result, the Trust Fund has been held together by substantial General Fund transfers in order to maintain funding levels.

While the Committee fully supports a robust Highway Trust Fund, it is greatly concerned about the consistent need for General Fund transfers to keep the Fund alive. The Committee feels that a choice is at hand: either fully fund the Trust Fund with user fees directly related to highway and transit programs or, if a decision is made to continue down the path of unrelated non-transportation funding measures, consider opening up the Fund to include other transportation modes for funding.

For example, the Committee supports efforts to identify a sustainable funding solution for passenger rail programs. If the Trust Fund continues to be sustained by unrelated General Fund transfers, then it makes little sense to limit funding from the Fund to solely highway and transit

programs. The federal passenger rail programs should receive serious consideration for eligibility under the Trust Fund, either as an option for how states choose to use their funds, or as a percentage of total Trust Fund allocations.

Aviation

In 2012, the Commerce Committee passed the Federal Aviation Administration (FAA) Modernization and Reform Act of 2012 (P.L. 112-95), extending the agency's authorities and the taxes and fees that support the Airport and Airway Trust Fund (Trust Fund) through the end of fiscal year (FY) 2015. During the 2013, the Commerce Committee anticipates conducting oversight hearings on several aviation-related issues, including the implementation of P.L. 112-95 and the status of measures seeking to improve aviation safety, such as those enacted through passage of the Airline Safety and Federal Aviation Administration Extension Act of 2010 (P.L. 111-216) and the Pilots Bill of Rights (P.L. 112-153).

Under the current law, the FAA budget is broken down into four accounts: Operations; Airport Improvement Program (AIP); Facilities and Equipment (F&E); and Research, Engineering and Development (R,E&D). The Administration has not submitted an FY 2014 budget, nor has the full FY 2013 budget been enacted. The agency continues to operate at the FY 2012 budget level under the current continuing resolution, which expires on March 27. P.L. 112-95 authorized a total of \$15.844 billion in FY 2014: \$9.596 billion for Operations; \$3.350 billion for AIP; and \$2.730 billion for F&E; and \$168 million for R,E&D. This FY 2014 authorized amount is slightly less than both the \$15.9 billion appropriated in FY 2012, and the \$16.2 billion billion appropriated in FY 2011. The Commerce Committee requests the 2014 authorized levels for FAA's Operations, F&E, and R,E&D accounts specified in P.L. 112-95 be fully funded; and that an allocation for the full amount of contract authority authorized in P.L. 112-95 be provided for the AIP program.

EAS and SCASD Programs

Congress appropriated \$193 million for the Essential Air Service (EAS) program in FY 2012. Air service provides an important link between small communities and the rest of the world, playing a significant role in economic development in these regions. Since deregulation of the airline industry, and particularly over the past several years of airline financial troubles, commercial airlines have increasingly limited their service to small communities. The ability of the EAS program to provide incentives for airlines to serve small communities has also eroded as EAS funding has stagnated or been cut. This program is essential to ensure the mobility of individuals who reside in remote areas of our nation. The Committee supports continued funding of the EAS program at \$193 million in FY 2014.

Congress appropriated \$6 million for the Small Community Air Service Development (SCASD) program in FY 2012, and P.L. 112-95 authorized it at \$6 million annually through 2015. SCASD provides air service development assistance to small- and medium-sized communities to improve their levels of air service. The SCASD program is intended to ensure the mobility of individuals and foster economic development in small communities. The program has provided users an opportunity to develop and sustain air service independently. The Committee recommends that SCASD be allocated at \$6 million, as set by PL. 112-95.

Federal Railroad Administration (FRA) and Intercity Passenger Rail

FRA was established to ensure the Nation's passenger and freight rail safety and infrastructure requirements are met. FRA develops and enforces rail safety regulations, administers railroad assistance programs, and conducts research. While its authorization expires at the end of fiscal year 2013, FRA continues to implement the numerous requirements included in the 2008's Passenger Rail Investment and Improvement Act (PRIIA) and Rail Safety Improvement Act. The Committee recommends fully funding FRA at levels equal to those appropriated in fiscal year 2013.

Amtrak plays a vital role today in today's passenger rail network and will continue to play such a role in the expansion and development of this network. Despite the fact that funding to Amtrak has been unpredictable over the years, Amtrak has continued to increase ridership, improve service, and reduce its reliance on federal subsidies for operations. However, substantial investment into rail infrastructure continues to be a necessity, most notably on the Northeast Corridor, in order to continue this growth trend and meet the capacity needs of the future. The Committee supports a reasonable-level of funding for Amtrak's system; in line with current operating funding levels to the extent they are necessary for Amtrak to meet its operational mandate. The Committee supports maximizing capital funding to the extent possible, in order to help make the critical investments necessary to continue grow the system and meet capacity demands.

The Committee fully supports increasing funding to develop a nationwide intercity passenger rail network and identifying a secure, long-term funding mechanism to achieve this goal. As mentioned above, one option is to open up the Highway Trust Fund to include passenger rail programs. Alternatively, the Committee supports identifying a sustainable funding mechanism solely designated for rail.

The Committee will be working on comprehensive passenger rail and rail safety legislation in the 113th Congress and will keep the Budget Committee abreast of developments. The Committee looks forward to working with all stakeholders to develop funding options for passenger rail.

Federal Motor Carrier Safety Administration (FMCSA)

The FMCSA is responsible for preventing commercial motor vehicle-related fatalities and injuries through developing and enforcing safety standards and regulations, targeting high-risk carriers and commercial motor vehicle drivers, improving safety information and commercial vehicle technologies, and increasing safety awareness. FMCSA achieves these objectives through both its own programs and grants to states. MAP-21 extended FMCSA's programs and included a number of new requirements that the agency must meet, including developing a new drug and alcohol testing clearinghouse, establishing regulations regarding electronically logging hours of service, developing a national registry of qualified commercial vehicle driver medical examiners, and enhancing national minimum entry-level training requirements.

For fiscal year 2014, MAP-21 authorizes a total of \$345 million - \$218 million for safety grants to states and \$127 million for other FMCSA safety activities. The Committee supports fully funding FMCSA at the authorized level given the important safety activities of the agency, along with its new, mandated activities. Presently and moving forward, it is imperative that FMCSA's safety programs be allotted sufficient funding from the Highway Trust Fund so that it can provide rigorous and effective oversight of the commercial motor vehicle, motorcoach, and household goods moving industries.

National Highway Traffic Safety Administration (NHTSA)

NHTSA is currently funded at an annualized level of \$805 million, with \$140 million for vehicle safety programs, \$110 million for highway safety research, and \$550 million for grants to states to conduct highway safety programs. NHTSA's vehicle safety budget has been virtually stagnant for more than a decade. The Committee recommends an increase to this portion of NHTSA's budget so that it can strengthen its work on defect investigations, testing, and safety recalls, and implement the most recent surface transportation bill, Moving Ahead for Progress in the 21st Century, also known as MAP-21.

MAP-21 modernized and reorganized NHTSA's highway safety grant program, and included specific authorization levels for NHTSA's highway safety programs. MAP-21 authorizes highway safety research at \$113.5 million in 2013. Highway safety grant programs are authorized at a total of \$566.5 million. These highway safety research and grant programs should be funded at the levels authorized in MAP-21 to enable the agency to implement the requirements of that legislation.

Pipeline and Hazardous Materials Safety Administration (PHMSA)

PHMSA oversees the safety transportation of hazardous liquids and natural gas through a network of 2.6 million miles of pipelines and the safe and secure shipments of hazardous materials by all transportation modes. Many of these materials are essential to the American public; as is the safe movement of these materials. Recent pipeline failures illustrate the continued need to improve the safety of these pipelines.

The Committee supports continued implementation of the Pipeline Safety Regulatory, Certainty and Job Creation Act of 2011 and recommends fully funding PHMSA's pipeline safety programs at their authorized levels for 2014, including \$91 million from pipeline user fees and \$18.5 million from the Oil Spill Liability Trust Fund. In addition, MAP-21 authorizes funding for PHMSA's hazardous materials safety programs, and includes a number of new requirements to enhance oversight of hazmat transportation. The Committee recommends fully funding the authorized amount for these programs included in MAP-21 for fiscal year 2014.

Research and Innovation Technology Administration (RITA)

RITA is responsible for coordinating DOT research programs and advancing the deployment of crosscutting technologies to improve the nation's transportation system. Among its duties, it supports University Transportation Centers and Intelligent Transportation Systems research and development. The Committee supports funding in line with authorized levels included for fiscal year 2014 included in MAP-21.

Surface Transportation Board (STB)

The STB is charged with the economic oversight of the nation's freight rail system. The STB has regulatory jurisdiction over the reasonableness of rates that railroads charge shippers, mergers, line acquisitions, new rail-line construction, abandonments of existing rail lines, and the conversion of rail rights-of-way into hiking and biking trails. While the STB is charged with a broad set of complex responsibilities, it has consistently lacked the funding levels necessary for the agency to fully conduct the rigorous oversight and review of the industries under its jurisdiction. The Committee fully supports increasing the agency's funding levels to allow it to better meet its mandates and, at a minimum, requests that the agency receive funding equal to its prior year allocation.

Maritime Administration (MARAD)

MARAD's mission is to strengthen the U.S. maritime transportation system—including infrastructure, industry and labor—to meet the economic and security needs of the Nation. Through the management of the Maritime Security Program, the Voluntary Intermodal Sealift Agreement program, the Ready Reserve Force, and War Risk Insurance program, MARAD helps support National security and strategic mobility by assuring access to ships, crews, and port intermodal assets for Department of Defense mobilizations. MARAD's mariner education and training programs, through the U.S. Merchant Marine Academy and six State Maritime Schools, provide most of the new, skilled U.S. merchant marine officers needed to serve the Nation's defense and commercial maritime transportation needs. Through its Ship Disposal program, MARAD continues to reduce the significant environmental risks posed by the presence of obsolete ships in the National Defense Reserve Fleet. The Committee supports fully funding MARAD at its most recently authorized level, included in the fiscal year 2013 National Defense Authorization Act.

Department of Homeland Security

United States Coast Guard

The Committee recommends a minimum of \$10.5 billion in funding for the United States Coast Guard in Fiscal Year (FY) 2014 in order to adequately cover the Service's front-line operations, preserve maritime incident prevention and response capabilities, and recapitalize the Service's timeworn fleet of ships, boats, and aircraft, and its crumbling shore-side infrastructure. The Coast Guard and Maritime Transportation Act of 2012 (Pub. L. 112-213) made many refinements to the Coast Guard's authorities in order to enhance its marine safety, maritime security, and environmental stewardship capabilities. The Coast Guard is a highly respected, highly adaptive, multi-mission branch of the Armed Forces that is routinely called upon to lead the federal response to large-scale maritime and coastal disasters, but the Committee continues to have serious concerns as to whether it is properly resourced to do all that the Nation asks. The Service is responsible for no less than 11 diverse statutory missions, namely: marine safety; search and rescue; maintaining aids to navigation throughout U.S. navigable waters; fisheries law enforcement; marine environmental protection; ice operations; ports, waterways, and coastal security; drug interdiction; migrant interdiction; defense readiness; and other law enforcement, including the protection of our maritime boundaries and natural resources from illegal operations by foreign vessels.

The Coast Guard had a remarkable year in 2012, saving over 3,500 lives, seizing 107 metric tons of cocaine bound for our coasts, interdicting nearly 3,000 undocumented migrants attempting to illegally enter the U.S., investigating and responding to over 3,300 pollution incidents, and responding admirably to Hurricane Sandy. Continued investment in the Coast Guard is essential in order to avoid grave operational gaps and meet mission demands. As it stands, the current investment, in and replacement of, aging Coast Guard assets cannot keep pace with the rate of ship decommissionings and aircraft retirements. In short, the Committee is concerned that the Service already has been making risky operational tradeoffs in recent years in order to adapt to the current budget-constrained environment.

Transportation Security Administration

The Transportation Security Administration's (TSA) budget provides critical resources to meet the requirements established by Congress in the Implementing Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53). This includes efforts to expand the TSA's Pre-Check program and the acquisition of advanced imaging technology (AIT) machines to address weaknesses identified by the Christmas Day terrorist attack in 2009. The Committee supports the TSA's efforts to adopt risk-based strategies for securing the transportation sector and believes the agency should continue to align its budgetary requests accordingly. Congress appropriated \$7.8 billion for the TSA in FY 2012, and the Committee supports continuing this level of funding in FY 2014. The Committee also believes that any security fees levied on transportation passengers should be dedicated to TSA programs that secure the transportation system.

Department of Commerce

International Trade Administration (ITA)

ITA is currently funded at an annualized level of \$458 million. At a minimum, the Committee recommends maintaining this level funding for FY 2014. ITA is one of the lead agencies carrying out the National Export Initiative, which helped U.S. companies export \$2.2 trillion of goods and services in 2012, an all-time record.

SelectUSA

SelectUSA is currently funded through ITA at an annualized level of \$1 million. At a minimum, the Committee recommends maintaining this level of funding for FY 2014. While the United States is the largest recipient of foreign direct investment (FDI) in the world, its share of FDI has significantly decreased – from 45 percent in the 1980s to less than 15 percent today. SelectUSA works to reverse this trend. With these resources, it will be better equipped to attract more FDI into the United States.

BusinessUSA

BusinessUSA is currently funded at an annualized level of \$3 million. At a minimum, the Committee recommends maintaining this level of funding for FY 2014. With this funding level, BusinessUSA will be able to continue supporting the BusinessUSA website and its related activities, providing a one-stop shop for American businesses looking to access federal services.

National Telecommunications and Information Administration

The National Telecommunications and Information Administration (NTIA) is currently funded at an annualized level of \$45.6 million. At a minimum, the Committee supports funding NTIA at a \$45.6 million level for FY 2014. The Committee also supports restoration of an additional \$20 million in funding for the Public Telecommunications Facilities Program (PTFP).

Full funding of NTIA at this level will facilitate continued work by the agency in several key areas. First, NTIA is responsible for oversight of the Broadband Technology Opportunities Program, a broadband-related grant programs authorized by the American Recovery and Reinvestment Act of 2009. The Committee strongly supports the continued administration and monitoring of the grants provided under this program. Second, it will allow NTIA to continue to implement the spectrum initiatives authorized by Congress as part of the Middle Class Tax Relief and Job Creation Act of 2012, P.L. 112-96, in particular its work with the First Responder Network Authority to facilitate the development of nationwide interoperable Public Safety Broadband Network in the 700 MHz band. Finally, NTIA will be able to continue its work to address online commerce and the need to make sure that privacy, cybersecurity, and copyright policies foster a trusted and reliable Internet marketplace.

The Committee also supports restoring full funding for PTFP. PTFP is designed to help public broadcasting stations, state and local governments, Indian Tribes, and nonprofit organizations provide the public with educational and cultural programming. The Committee has advocated for continued support of PTFP, but the program was not funded in the FY 2013 appropriations process.

National Institute of Standards and Technology

Current funding in the Continuing Resolution for the National Institute of Standards and Technology (NIST) stands at \$750.8 million, or 28 percent below the FY 2013 amount authorized in the America COMPETES Reauthorization Act of 2010 (P.L. 111-358). As one of the federal government's premier science agencies, both the original America COMPETES Act of 2007 (P.L. 110-69) and the 2010 reauthorization prescribed a doubling in federal funding for NIST (as well as the National Science Foundation and Department of Energy Office of Science). The Committee supports the doubling path, however, the timescale for the doubling has increased from 7 years to now more than 18 years since 2008. One of the primary reasons to increase the federal investment in research is the link with new innovations, new jobs, and economic growth.

The Committee supports NIST's work in advanced manufacturing, which includes the Hollings Manufacturing Extension Partnership (MEP), and the proposed National Network for Manufacturing Innovation (NNMI). The Committee supports steady funding for MEP, a decades-long program with proven success working with small- and medium-sized manufacturers across the country to create jobs and increase profits. The NNMI, originally proposed as a \$1 billion mandatory spending program in the FY 2013 President's budget request, has already begun with a pilot program in additive manufacturing in Youngstown, Ohio. The President proposed three more pilots in his State of the Union address. The Committee supports

the full investment in the NNMI and will work on legislation to further support the investment in the manufacturing sector.

The Committee supports dedicated funding for forensic science research and standards at NIST, as well as funding for NIST's work to carry out the recently released Executive Order on Improving Critical Infrastructure Cybersecurity.

NIST's programs will likely be reauthorized this year through an America COMPETES Act reauthorization. The Committee is also interested in advancing legislation involving NIST that would take advantage of their expertise in measurement science, standards, and technology, including legislation on forensic science research and standards, nanotechnology, cybersecurity, advanced manufacturing, interoperability standards for emerging technologies, and natural hazards risk reduction.

National Oceanic and Atmospheric Administration

The Committee recommends a budget of at least \$5.5 billion for the National Oceanic and Atmospheric Administration (NOAA) in FY 2014. As the federal agency responsible for the predicting changes in climate, weather, oceans and coasts, and for the conservation and management of the Nation's coastal and ocean resources, NOAA's services directly touch the lives of all Americans. Yet NOAA's budget requirements have not been well managed for years, nor have budget formulations been communicated sufficiently to Congress. The Committee has yet to receive the Administration's responses to questions submitted for the record by Members of the Committee during *last year's* hearing on the President's proposal for NOAA for FY 2013, much less the FY 2014 request. As a result, the Committee lacks confidence that the next NOAA budget request received by Congress will reflect a credible and accurate budget formulation, and looks forward to the receipt of independent budget reviews of certain NOAA functions still underway by the National Academy of Public Administration and the Government Accountability Office.

At present, the Committee believes that a budget of \$5.5 billion would sustain adequate funding for NOAA's functions relating to weather forecasting, disaster preparedness and response; allow the agency to repair aging and damaged assets and infrastructure; and retain important investments in fisheries science. It would further allow for a balanced budgetary portfolio across the agency, including the sustainment of coastal and ocean services and research.

Improving Disaster Preparedness and Response

The United States is both one of the wealthiest nations in the world, and also among the most vulnerable to severe weather. Each state across the Nation has struggled to recover from repeated and record-breaking extreme weather events over the past two years, with hundreds of lives lost and tens of billions of dollars in property damages. Every Member of the Committee hails from a state which in 2012 suffered either unrelenting drought or a storm-related major federal disaster declaration. As heartbreaking as these tragedies have been for communities and families, every disaster would have been worse without clear and effective forecasting. As the Nation's primary source for weather information and warnings, NOAA's weather and

observational services are crucial to protecting lives and property, and mitigating damage from severe weather.

Unfortunately federal investments have not kept pace with the innovations needed to accurately predict harmful weather such as tornadoes, flash floods, hurricanes and drought. Both the current and past Administrations have failed to request adequate funding to support the basic operations of the National Weather Service. Last year it became public knowledge mismanagement at various levels resulted in illegal funding reprogramming to shore up these gaps in basic service operations, with weather officials siphoning from accounts intended to pay for forecasting equipment to cover accounts needed for day-to-day weather operations. Though NOAA and the Department of Commerce have initiated management and accounting controls to ensure this unacceptable misappropriation of taxpayer funding does not recur, the sustained abdication of budgetary responsibility regarding weather services is deeply troubling to the Committee. It further underscores the need for focused attention on NOAA's cost-effective prediction services, as well as the budgetary realities of paying for them.

Additionally, the Committee is concerned about past underinvestment in the high performance computational capacity needed to improve the Nation's weather models, leading to better severe storm forecasts. The United States currently has only about ten percent of the computational capacity for weather prediction as does Japan, and we trail other nations such as South Korea and Canada. Our computational inadequacy was highlighted in the lead up to the landfalls of hurricanes Isaac and Sandy last year, when European weather models outpaced our own in providing accurate forecasts of the storms. A modest investment in improving computational capacity for weather prediction would appear to be among the most cost-effective investments the Nation could make, particularly in the wake of repeated years of record-breaking weather disasters.

The Committee further notes that multiple programs across NOAA's line offices provided essential support before, during, and in the aftermath of these disasters, services which can often be overlooked. These include medium-range predictive services, such as the National Integrated Drought Information System, or NIDIS, which provides essential seasonal climate information to farmers, ranchers, and other industries disproportionately affected by drought. Other programs perform vital functions in the wake of natural disasters, such as National Ocean Service's Office of Coast Survey, whose Navigation Response Teams quickly surveyed critical maritime areas affected by Hurricane Sandy to mitigate disruptions to maritime commerce. Programs such as these that enhance the Nation's preparedness and economic benefit should be priorities for increased funding, particularly given the increasing frequency and intensity of extreme weather events.

Asset and Infrastructure Needs

NOAA faces a number of challenges relating to aging assets and infrastructure. The agency's weather satellite programs are at a critical juncture, with a gap in polar-orbiting weather satellite coverage expected around 2017, which could degrade forecasts. Sequestration will further directly impact the procurement and implementation of the next generation of geostationary satellites. In FY 2014, NOAA's next generation geostationary satellite program,

GOES-R, requires increased funding, nearly \$150 million, in order to maintain its current launch timeline. Should sequestration go into effect, or if funding is otherwise not secured, delays to the GOES-R program are almost certain to occur, pushing the launch date back by 2-3 years, and ensuring yet another gap in weather data. Ensuring the continuity of these weather satellite operations is essential.

Funding is also needed to shore up NOAA's fleets. Two of NOAA's three planes used to track hurricanes require new wings, funding which Congress appropriately directed funding towards in the Hurricane Sandy supplemental. Without the funding provided for FY2013, these planes would have faced early retirement. Similarly, the agency requires increased funding for its ongoing fleet replacement, including for capital investment in the *Thomas Jefferson*, a multi-platform survey vessel primarily responsible for hydrographic surveys in the Atlantic and the Gulf of Mexico. Lack of funding to extend the service life of NOAA vessels may require the *Thomas Jefferson* and other vessels' retirement.

Finally, the Committee notes the extraordinary economic benefit associated with federal investments in NOAA's mapping and charting services, and ocean observational systems. By way of example, an independent study last year concluded that for every taxpayer dollar spent on NOAA's National Geodetic Survey's Coastal Mapping Program, the Nation receives more than \$35 dollars in benefits. As another example, ocean buoys which pinpoint tidal depth at particular times provide essential information to commercial shipping traffic, as well as to coastal communities facing storm related tidal surges. The Committee believes investments in NOAA's programs, services, and infrastructure that provide direct benefits to the Nation must be retained.

Fisheries Science

The Nation achieved an important milestone in 2012 with the approval of the last federal fishery management plan amendments implementing annual catch limits and accountability measures, meaning that for first time, all federally managed fisheries in the U.S. are being managed sustainably, based on the best available science. This transition has been and continues to be a difficult one for the U.S. commercial and charter fishing industries in some regions of the country, as the requirements to end overfishing have reduced short-term fishing opportunity in some cases as stocks rebuild. Total commercial landings from federally-managed fisheries remain below their pre-recession levels, charter boat owners and operators continue to struggle with reduced season lengths and bag limits for valuable species such as red snapper, and seven fisheries disasters were declared by the Department of Commerce in the past year alone. In short, the transition to sustainable fisheries management is significantly impacting fishermen and their communities. It is critically important to provide the funding necessary to support robust fisheries science so that uncertainty about the abundance of valuable fish stocks does not needlessly limit economic opportunities. The Committee therefore recommends, in addition to providing relief for the various declared fisheries disasters, ensuring that greater funding be made available for cooperative research, expanded stock assessments, additional fishery-independent surveying and monitoring, and increased observer coverage.

Independent Agencies

National Aeronautics and Space Administration

Current funding in the Continuing Resolution for the National Aeronautics and Space Administration (NASA) amounts to \$17.8 billion, or 11 percent below the FY 2013 amount authorized in the NASA Authorization Act of 2010 (P.L. 111-267). The 2010 act supports a balanced approach to human space flight, focusing on utilization of the International Space Station, development of commercial crew and cargo transportation capabilities for low-Earth orbit (LEO), and exploration beyond LEO utilizing a NASA-developed heavy lift launch system and deep space capsule. The act also maintains the agency's efforts in science, aeronautics, and education. NASA's current authorization expires at the end of FY 2013, so new legislation will be developed this year to reauthorize the agency.

The Continuing Resolution is essentially even with the FY 2013 President's Budget Request, which itself reflected "notional" flat funding through 2017. The Committee is concerned that a flat budget makes the development of a new exploration program extremely challenging. Due to inflation, a flat budget profile represents decreasing spending power over time. As new technology development efforts typically follow a bell curve funding profile, ramping up funding in the near-term is necessary to develop the capabilities needed to explore destinations beyond LEO once again. The Committee supports the development of domestic commercial capabilities in support of the U.S. launch market; however, the Committee remains concerned that an exploration capability will likely be unavailable until the next decade.

Consumer Product Safety Commission (CPSC)

The CPSC is currently funded at an annualized level of \$115 million. At a minimum, the Committee recommends maintaining this level of funding for FY 2014. This funding level is necessary for the CPSC to effectively carry out its mission to protect the public against unreasonable risks of injury from thousands of consumer products.

Federal Trade Commission (FTC)

The FTC is currently funded at an annualized level of \$313 million. At a minimum, the Committee recommends maintaining this level of funding for FY 2014. The FTC requires at least this level of funding to carry out its dual mission of stopping unfair or deceptive practices in the marketplace and enforcing federal antitrust law.

National Science Foundation

The America COMPETES Act of 2007 (P.L. 110-69) and subsequent America COMPETES Reauthorization Act of 2010 (P.L. 111-358) authorized funding levels for the National Science Foundation (NSF) and other major basic research federal science agencies from FY 2008 through FY 2013. The goal of both acts was to address the shortcomings identified by national studies of American innovation capacity and global competitiveness by investing in research and development (R&D); science, technology, engineering and mathematics (STEM) education; and a robust research infrastructure. Results, to date, have been mixed, since appropriations for many of the initiatives have fallen far short of the authorized levels.

Current funding in the Continuing Resolution for NSF equals \$7.03 billion, or 15 percent below the FY 2013 amount authorized in the America COMPETES Reauthorization Act. Both the original America COMPETES Act of 2007 and the 2010 reauthorization prescribed a doubling in federal funding for NSF, among others. The Committee supports the doubling path but remains concerned that the timeline to reach this goal has become notional. The President's FY 2013 budget request would have extended the doubling period to nearly 18 years, and current funding is even further from the path. Predictable and sustained investments in R&D, STEM education, and workforce development are necessary if we are to prevent further loss of the nation's competitive edge. Technological innovation is widely considered a driver behind U.S. economic growth, making innovation a crucial national asset.

The Committee strongly supports the Experimental Program to Stimulate Competitive Research (EPSCoR). EPSCoR is essential to stimulating research in geographic areas that are underrepresented in NSF activities. The Committee supports increased funding for EPSCoR, and sustained support for other programs designed to assist young researchers, such as the Graduate Research Fellowship and the Integrative Graduate Education and Research Traineeship. Legislation this year for NSF will likely include a reauthorization of the America COMPETES Act and a bill to support research and education in forensic science.

Federal Communications Commission

The Federal Communications Commission (FCC) is currently funded at an annualized level of \$339.8 million. At a minimum, the Committee supports continued funding for FCC at this level for FY 2014.

The FCC is the expert agency responsible for regulating commercial communications companies pursuant to the Communications Act of 1934 and related statutes. Maintaining full funding for the FCC will allow it to effectively carry out several major ongoing regulatory actions, including implementing key provisions of the Middle Class Tax Relief and Job Creation Act of 2012. In particular, the FCC is currently developing rules for the voluntary incentive spectrum auction provisions of that law, which have the potential to raise billions in revenue.

Past budget proposals have included two legislative proposals related to spectrum policy that are designed to improve spectrum management.

First, the President's budget proposal last year proposed to extend spectrum auction authority to domestic satellite spectrum. The Commerce Committee continues to have concerns about this authority sought by the President. For example, because of the inherent international nature of satellite services, the auctioning of domestic satellite spectrum may lead to retribution by other nations. In addition, it creates arbitrage possibilities as companies may seek to use international satellite slots to serve the U.S. in lieu of bidding for domestic satellite spectrum.

Second, numerous past President's budgets have proposed giving the FCC new authority to impose spectrum user fees on unauctioned spectrum licenses. The Commerce Committee continues to have some concerns about giving this authority to the FCC and believes that any new fees should be examined carefully to assess their merits and possible effects.

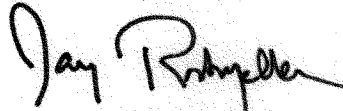
Corporation for Public Broadcasting (CPB)

By custom, the Corporation for Public Broadcasting (CPB) receives a two-year advance appropriation. Congress has already appropriated to CPB \$445 million in FY 2014 and \$445 million in FY 2015. The Committee supports continued funding for CPB at the \$445 million level for FY 2016.

National Transportation Safety Board

The National Transportation Safety Board (NTSB) is the independent Federal agency responsible for investigating and establishing the facts, circumstances and probable cause of significant transportation accidents and incidents in order to develop recommendations that will prevent future accidents or reduce their effects in terms of injury, loss of life, or damage to property. The NTSB also conducts safety studies and prepares safety reports based on analyses of transportation accident data. The results of these studies are used to determine factors common to a series of events and to identify safety improvements or evaluate the worth of transportation-related devices or policy. Safety studies further incorporate knowledge of the NTSB in performing its transportation safety mission. Through this work, the agency has established itself as the world's leading authority on the investigation of transportation accidents and incidents. In FY 2012 Congress appropriated the NTSB \$102.4 million, and the Committee supports continuing this level of funding in FY 2014.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Rockefeller", written in a cursive style.

John D. Rockefeller IV
Chairman

RON WYDEN, Oregon, Chairman

TIM JOHNSON, South Dakota	LISA MURKOWSKI, Alaska
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United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510-6150

WWW.ENERGY.SENATE.GOV

March 1, 2013

The Honorable Patty Murray, Chairman
The Honorable Jeff Sessions, Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510-6100

Dear Chairman Murray and Senator Sessions:

This letter responds to your request of February 8 for the views and estimates of the Committee on Energy and Natural Resources on the budget matters within the Committee's jurisdiction.

Generally speaking, the Committee has jurisdiction over the programs of the Department of the Interior (other than the Fish and Wildlife Service and the Bureau of Indian Affairs), the Department of Energy (other than the National Nuclear Security Administration), and the Federal Energy Regulatory Commission. The Committee also has jurisdiction over national forests created from the public domain. The programs under the Committee's jurisdiction ensure the protection and wise use of the nation's land, water, and mineral resources and promote our national energy security.

In view of the importance of these programs to the nation's economy and the well-being of its citizens, we believe the current levels of funding are, on the whole, fully justified. We recognize, of course, that federal spending needs to be reduced to put the nation's fiscal affairs in order. But we strongly believe that any reductions in the programs under the Committee's jurisdiction should be made prudently, through the annual appropriations process, and not through the indiscriminate, across-the-board cuts of an automatic sequester.

Our natural resources are a major source of income to the United States Treasury and to the States. The Department of the Interior currently collects over \$4 billion per year in rents, royalties, and bonus payments for oil, gas, coal, and geothermal leases. In general, half of these

collections are paid to the States in which the leases are located. Similarly, the Department of the Interior currently collects about \$7 billion per year in rents, royalties, and bonus payments for oil and gas leases on the Outer Continental Shelf. Since fiscal year 2007, 37½ percent of the collections from certain new leases in the Gulf of Mexico are paid to Louisiana, Alabama, Mississippi, and Texas. Beginning in 2017, 37½ percent of the collections from both new and existing leases, up to \$500 million per year, will be paid to the four coastal States.

As in previous years, the Committee plans to consider legislation to reauthorize or make changes to the Secure Rural Schools and Community Self Determination Act of 2000 and the Payments in Lieu of Taxes Act of 1976, and respectfully requests a deficit-neutral reserve fund for this purpose. (See S. Con. Res. 60, 111th Cong., 2d Sess., sec. 210; S. Con. Res. 13, 111th Cong., 1st Sess., sec. 310.) In addition, the Committee plans to consider one or more bills to use a portion of the receipts from onshore and offshore mineral leases and other fee collections to provide a long-term source of funds for a variety of potential uses, including rural communities, the preservation and protection of the public lands, additional revenue-sharing with State and local governments, and measures that invest in clean energy and preserve the environment. The Committee requests that the budget resolution contain an appropriate deficit-neutral reserve fund for this legislation as well. (See, *e.g.*, S. Con. Res. 60, 111th Cong., 2d Sess., sec. 204; S. Con. Res. 13, 111th Cong., 1st Sess., sec. 302.)

In addition, the Committee plans to report legislation reauthorizing the Federal Land Transaction Facilitation Act, which expired in 2011. Among other things, the Act enabled the four major federal land management agencies to use proceeds from the sale of excess land to purchase inholdings without further appropriation. We respectfully request a deficit-neutral reserve fund to permit the reauthorization of this important legislation.

We also remain concerned that the level of funds appropriated for wildland fire-fighting in recent years has been, and remains, inadequate to the task at hand. We urge the Budget Committee to make adequate provision to cover these expenses, either in the discretionary spending limits in the budget resolution or by providing a deficit-neutral reserve fund for this purpose.

Similarly, we remain concerned that, because of a lack of suitable budget offsets, Congress has yet to enact legislation to implement the agreement between the United States and the Republic of Palau, a district of the former Trust Territory, which was signed in 2010. We believe enactment of this legislation is necessary to sustain the nation's strategic relationship with Palau, and urge that the Budget Committee make adequate provision in the budget resolution for this purpose.

Finally, we must again note that the United States remains liable to the nation's nuclear utilities for breach of its contracts to dispose of the utilities' nuclear waste. Over a year ago, the Blue Ribbon Commission on America's Nuclear Future reported that the United States had paid over \$2 billion in damages to the utilities, and estimated that it would be liable for \$20.8 billion in damages by 2020 and an additional \$500 million in damages for each year beyond 2020. The Committee plans to consider legislation to restructure and revitalize the nuclear waste program along the lines recommended by the Blue Ribbon Commission. Among other things, the legislation will need to make a greater share of the funds currently being collected from nuclear utility ratepayers directly available to the program, and we request that the budget resolution provide an appropriate reserve fund for this purpose.

We appreciate the opportunity to provide our views and estimates to your Committee and look forward to working with you.

Sincerely,



Ron Wyden
Chairman



Lisa Murkowski
Ranking Member

BARBARA BOXER, CALIFORNIA, CHAIRMAN

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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-6175

BETTINA FORIER, MAJORITY STAFF DIRECTOR
ZAK BAIG, REPUBLICAN STAFF DIRECTOR

March 6, 2013

The Honorable Patty Murray
Chairman
The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions:

In response to your letter of February 8, 2013, I present the following additional views and estimates of the Majority for certain programs under the jurisdiction of the Committee on Environment and Public Works.

Climate Change

Climate change poses significant risks to our nation's public health, economy, and quality of life. Many climate change impacts are already being felt by Americans every day, and a recent report by the Governmental Accountability Office found that our government is increasingly financially exposed to the growing threat of climate change.

The Majority believes it is critically important to adequately fund Environmental Protection Agency programs that address climate change, including the Vehicle and Fuels Standards Programs and Stationary Source programs, and supports the Agency's efforts to address such emissions. The Majority also supports a continued commitment to the highly successful Energy Star program and an emphasis on EPA's Science and Technology activities for the Agency's Climate Protection Program.

As Chairman of the Committee, I intend to move forward with legislative initiatives to address the dangers of climate change. One such piece of legislation is the Climate Protection Act (S. 332), which would address climate disruptions by putting a price on carbon pollution from petroleum, coal, and natural gas, and reinvest those funds into promoting renewable energy, enhancing job growth and worker transition in a clean energy economy, increasing the resilience in the nation's infrastructure, and federal deficit reduction.

Economic Development Administration

EDA provides investments to help spur economic development in distressed communities across the United States. EDA competitively awards investments in construction projects, which help create or retain jobs and generate private investment. The Majority supports strong funding of EDA in the FY 2014 budget.

As part of the Majority's efforts to combat climate change, reduce energy consumption, and create jobs, the Majority is developing an innovative financing program within the Economic Development Administration that would help finance energy efficiency and renewable energy projects for the building sector. This BIFIA proposal, modeled after the successful TIFIA program that received bipartisan support in MAP-21, would provide loans, loan guarantees, or lines of credit to building owners to invest in retrofits and distributed generation projects to harden those facilities against extreme weather and loss of electricity.

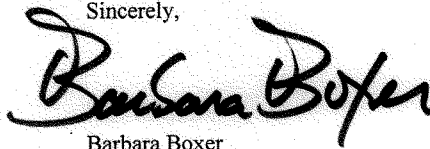
This program could benefit local and state governments that are seeking to make widespread energy efficiency improvements to their buildings. There are numerous benefits as these projects would create jobs in the short-term, while reducing energy costs over time and saving building owners money and reducing GHG emissions.

Reserve Funds

The Majority requests the establishment of appropriate reserve funds for legislation described above related to addressing climate change and promoting energy efficiency.

I appreciate the opportunity to provide additional comment on the programs within the jurisdiction of the Committee on Environment and Public Works. I look forward to working with you as you prepare the Concurrent Resolution on the Budget for FY 2014.

Sincerely,

A handwritten signature in black ink, reading "Barbara Boxer". The signature is fluid and cursive, with the first name "Barbara" and last name "Boxer" clearly distinguishable.

Barbara Boxer
Chairman

BARBARA BOXER, CALIFORNIA, CHAIRMAN

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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

WASHINGTON, DC 20510-6175

BETTINA PORIER, MAJORITY STAFF DIRECTOR
ZAK BAIG, REPUBLICAN STAFF DIRECTOR

March 6, 2013

The Honorable Patty Murray
Chairman
The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions:

In response to your letter of February 8, 2013, we present the following views and estimates for certain programs under the jurisdiction of the Committee on Environment and Public Works.

Legislative Initiatives:

The Committee on Environment and Public Works intends to move forward with several legislative initiatives this year.

The Committee anticipates advancing multiple pieces of legislation to improve the nation's infrastructure and create jobs. The Committee is working to pass a Water Resources Development Act to authorize important flood control, commercial navigation, and environmental restoration projects and programs across the country and to address needed reforms to Trust Funds that finance water resources projects, including the Harbor Maintenance Trust Fund. This legislation may have direct spending impacts and the Committee requests the establishment of appropriate reserve funds. The Committee also expects to develop legislation to reauthorize other water infrastructure programs, such as the Clean Water and Safe Drinking Water State Revolving Funds, which has direct spending impacts. The Committee requests the establishment of appropriate reserve funds for this legislation.

The current surface transportation bill, Moving Ahead for Progress in the 21st Century (MAP-21) expires on September 30, 2014, and the Committee intends to begin work on legislation to reauthorize these programs this year. As such, the Committee requests the establishment of appropriate reserve funds to accommodate increases in the highway program above the current baseline and the continuation of mandatory contract authority to fund highway programs.

The Committee also anticipates advancing legislation to authorize the Secretary of the Interior to update the cost of the Federal Migratory Bird Hunting and Conservation Stamps, commonly known as "Duck Stamps." These important stamps help to fund the conservation of critical waterfowl habitat nation-wide. The Committee requests the establishment of appropriate reserve funds for this legislation.

1. Environmental Protection Agency

Funding for the Environmental Protection Agency

The Environmental Protection Agency's (EPA) programs address clean drinking water, clean air, children's health protections, water quality in our lakes and rivers, and other environmental and public health protections.

Water Infrastructure

The Committee supports programs for maintaining and enhancing drinking water and wastewater infrastructure and urges that the budget resolution support robust funding for these important and successful programs. The national need for investment in water and wastewater infrastructure through the Clean Water State Revolving Loan Funds (CWSRFs) and Drinking Water State Revolving Loan Funds (DWSRFs), which are managed by EPA, continues to far outpace the amount of funding that is available from all levels of government. The American Society of Civil Engineers reports that if current funding trends persist, by 2020 the anticipated capital funding gap for water and wastewater infrastructure will be \$126 billion.

Cleaning up Superfund Toxic Waste Sites

In FY 2014 the federal government should continue to underscore its commitment to restore the pace of long-term cleanups at toxic waste sites listed under the Superfund program. The Committee is interested in potential actions that the Agency could take to increase the annual pace of cleanups.

Cleaning up Brownfields

In 2002, the bill creating the nation's brownfields cleanup program was enacted into law, authorizing \$250 million annually. Brownfields are areas where contamination issues inhibit redevelopment efforts. The federal brownfields program is one of EPA's most popular and successful programs.

Preventing and Cleaning Up Leaking Underground Storage Tanks

Leaking underground storage tanks (UST) are a threat to our nation's groundwater quality. The nation has more than 583,000 federally-regulated USTs that store petroleum and hazardous substances that can contaminate the environment and harm human health. There is a national backlog of more than 82,000 needed cleanups. The Government Accountability Office estimates that it would cost roughly \$12 billion to cleanup all leaking tanks, as of 2005.

The federal government should commit itself to supporting this vitally important cleanup program that can protect public health, protect drinking water supplies, and help communities speed redevelopment efforts.

Selected Other EPA Programs

The Committee supports EPA's Science and Technology programs, however the programs as well as the associated laboratories should continue to be regularly reviewed and evaluated. The Committee believes that the federal government has a role to play in research and development efforts for a new generation of cost effective energy and environment technologies.

The Committee notes that the Office of Children's Health Protection plays an important role in the Agency's efforts to protect children from environmental health threats.

Air Quality

Diesel engine retrofits are a cost effective way of obtaining reductions in certain air pollutants. The Committee supports funding for this program as the goals of the program in reducing diesel emissions are particularly important in areas such as ports.

The Committee supports a strong federal commitment to state and local air quality grant programs as a mechanism for assisting state and local governments to implement and comply with federal environmental requirements.

2. Department of Transportation, Federal Highways Administration

The CBO baseline includes \$39.9 billion in FY 2013, equal to the funding level provided in FY 2012, and \$40.6 billion in FY 2014 to fund our nation's highways and bridges. The FY 2014 level represents less than a 2% increase above the FY 2012 enacted level and the full-year level assumed for FY 2013.

These funding levels are inconsistent with the levels provided in the recently-passed surface transportation bill, Moving Ahead for Progress in the 21st Century (MAP-21). This legislation, which passed with overwhelming bipartisan support in both the House and the Senate just last year, reauthorized our nation's highway, highway safety, and transit programs for fiscal years 2013 and 2014. Combined, the CBO baseline is almost \$1 billion below the MAP-21 highway funding levels of \$40.4 billion for FY 2013 and \$41.0 billion for FY 2014.

The Committee does not support a reduction from the funding levels of MAP-21, and strongly supports full funding of the highway program at its authorized levels.

According to the U.S. Department of Transportation, every \$1 billion in Federal highway funding that is matched by State and local investments creates or sustains over 34,000 jobs through all sectors of the economy. Failure to honor the bipartisan, bicameral agreement in MAP-21 means an unacceptable funding cut to highway and highway safety programs at a time

when our country needs it the most. These are jobs that could be filled by unemployed construction workers, who have been hard hit by the recession and face an unemployment rate over 16 percent, to repair our roads, bridges, and infrastructure.

The funding levels in MAP-21 were fully paid for with offsets included in the bill, and therefore honoring the bipartisan and bicameral agreement in MAP-21 will not increase the federal deficit, but restricting these programs will significantly harm job creation efforts. The increase in funding provided in MAP-21 was strongly supported by businesses and labor organizations because it will put construction workers back to work. MAP-21's investments will also jump-start our economy by improving the conditions and performance of our infrastructure to move people and goods more safely and efficiently.

MAP-21 will expire on September 30, 2014, and the Committee intends to begin work on a new surface transportation bill this year. The vast transportation needs of our country demand a funding level sufficient to accelerate our economic recovery and build the foundation for long-term prosperity. As such, the Committee requests a reserve fund to accommodate increases in the highway program above the current baseline and the continuation of mandatory contract authority to fund highway programs. Contract authority provides predictable long-term funding and gives states the ability to enter into commitments that would obligate the Federal government.

Healthy investment in highway, transit and highway safety programs, including congestion mitigation, will improve America's quality of life and will help meet the needs of our growing economy. Americans and businesses benefit every day from transportation investments through shortened travel times, increased productivity, and improved safety. Infrastructure is critical to America's quality of life. Infrastructure investments enhance the productivity of business and individuals.

Failing to invest creates the disruptions that waste money, time, and fuel, and undermines our competitiveness. According to the 2012 Urban Mobility Report issued by the Texas Transportation Institute, traffic congestion continues to worsen in American cities of all sizes, creating a \$121 billion annual drain on the U.S. economy in the form of 5.5 billion lost hours and 2.9 billion gallons of wasted fuel.

3. U.S. Army Corps of Engineers, Civil Works

The Committee supports robust funding for the Corps of Engineers at a level consistent with the Corps' capability. Investment in the Civil Works Program of the Army Corps of Engineers offers many benefits. The nation's network of coastal ports and inland navigation systems is essential for the movement of raw and finished goods throughout the United States and overseas. Investing in these systems is necessary to ensure U.S. economic competitiveness in the global economy. The value of flood, hurricane and storm damage reduction measures, and the cost of inadequately investing in this infrastructure has been demonstrated repeatedly by multiple natural disasters in recent years. Benefits also accrue from undertaking environmental restoration projects around the country, including in the Everglades, Upper Mississippi River, Missouri River, Coastal Louisiana, San Francisco Bay, and countless other rivers and coasts.

The Committee notes that expenditures from the Harbor Maintenance Trust Fund (HMTF) for operation and maintenance of navigation projects have been significantly less than revenues in recent years. This continues to result in a significant surplus in the trust fund. The failure to fully fund activities that are supported through the dedicated HMTF is inconsistent with the collection of the user fees that support the fund. The Committee opposes cuts in expenditures from the HMTF for operation and maintenance of navigation projects while the fund surplus continues to increase. The Committee is working to address this issue as part of the Water Resources Development Act and recommends that the budget resolution include increases in funding for the Civil Works Program along with increased expenditures from the HMTF to match revenues.

4. Department of the Interior

The Committee urges a strong federal commitment in several Fish and Wildlife Service (FWS) budget areas in FY 2014.

The Fish and Wildlife Service manages over 150 million acres of land and waters. The backlog of deferred maintenance at the National Wildlife Refuges and National Fish Hatcheries continues to present challenges and should be a priority for funding. Other important Fish and Wildlife Service conservation programs, such as the North American Wetlands Conservation Act, the Cooperative Endangered Species Fund, State and Tribal Wildlife Grants Program, and Partners for Fish and Wildlife program work cooperatively with many stakeholders to conserve critical natural resources. Adequate funding is needed for these successful programs.

5. General Services Administration

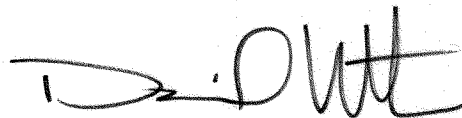
The Committee continues to encourage GSA to make our federal building inventory more efficient through construction, repairs and alterations projects. Furthermore, the Committee continues to be concerned by GSA's implementation of several programs. We encourage the FY 2014 budget to place an emphasis on meeting needs through GSA ownership where appropriate.

We appreciate the opportunity to comment on the programs within the jurisdiction of the Committee on Environment and Public Works. We look forward to working with you as you prepare the Concurrent Resolution on the Budget for FY 2014.

Sincerely,



Barbara Boxer
Chairman



David Vitter
Ranking Member

MAX BAUCUS, MONTANA, CHAIRMAN
 JOHN D. ROCKEFELLER IV, WEST VIRGINIA
 RON WYDEN, OREGON
 CHARLES E. SCHUMER, NEW YORK
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 JOHNNY ISAKSON, GEORGIA
 ROB PORTMAN, OHIO
 PATRICK J. TOOMEY, PENNSYLVANIA

United States Senate

COMMITTEE ON FINANCE
 WASHINGTON, DC 20510-6200

AMBER COTTLE, STAFF DIRECTOR
 CHRIS CAMPBELL, REPUBLICAN STAFF DIRECTOR

March 4, 2013

The Honorable Patty Murray
 Chairman
 Senate Committee on the Budget
 United States Senate
 Washington, D.C. 20510

The Honorable Jeff Sessions
 Ranking Member
 Senate Committee on the Budget
 United States Senate
 Washington, D.C. 20510

Dear Patty and Jeff:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, we are submitting our views and estimates with respect to federal spending and revenues within the jurisdiction of the Senate Committee on Finance for the Fiscal Year 2014 Senate Concurrent Resolution on the Budget.

REVENUES

Tax Reform and Simplification

Tax reform is a high priority for the Finance Committee. The tax system has become overly complex, hindering voluntary compliance. Tax reform should focus on fairness, simplification, certainty, broad-based economic growth and job creation. The Finance Committee will move forward on comprehensive tax reform for both individuals and business taxpayers.

Individual Tax Issues

The Finance Committee will work on reforming tax provisions related to education, children, work, child care, marriage, investments and savings as part of tax reform. It will also examine fringe benefits. The Finance Committee will also work on simplifying the individual tax system by addressing the Alternative Minimum Tax, the personal exemption phaseout and the itemized deduction limitation.

Retirement Security

The Finance Committee continues to examine the current tax-preferred savings vehicles to determine whether the existing programs need improvement. The Finance Committee will examine proposals such as creating automatic IRAs, providing more incentives to establish automatic enrollment in 401(k) plans, and creating multiple employer defined contribution arrangements, to determine whether there are opportunities for enhancing savings. The Finance Committee is also studying issues related to the status of certain significantly underfunded multiemployer defined benefit pension plans and whether providing targeted changes would be in the best interests of the plans' participants and contributing employers as well as the Pension Benefit Guaranty Corporation.

Business Tax Issues

As part of tax reform, the Finance Committee will consider how to simplify tax compliance, especially for small businesses, as well as ensure that U.S. companies are competitive in the global marketplace while creating new jobs and driving more economic growth. The Finance Committee will consider how to reform the tax treatment of capital investment, different sources of income, and different types of business entities. The Finance Committee will also continue to look for tax compliance gaps related to domestic and offshore transactions involving both inbound and outbound investments. The Finance Committee also continues to explore and analyze tax issues related to alternative types of investment in the U.S. economy and related policy considerations.

Research and Development

The Finance Committee will continue to pursue legislation to make permanent an incentive for research and development as part of tax reform.

Incentives for Energy Production and Conservation

The Finance Committee remains committed to the goals of decreasing our dependence on foreign energy, encouraging energy efficiency and conservation, and promoting the development of alternative energy technologies. The Finance Committee will consider these issues as part of tax reform.

Infrastructure

The Finance Committee is committed to finding cost-effective tools to improve our existing infrastructure and address future needs. The Finance Committee recognizes that current mechanisms for financing transportation infrastructure are inadequate to address our infrastructure needs and will pursue legislation that achieves long-term sustainable infrastructure policy.

Tax Exemption and Charitable Giving

The Finance Committee understands the important work that is done by the charitable sector. As part of tax reform, the Finance Committee will consider various issues relating to tax exempt entities, commercial activity by charitable organizations, and the deduction for charitable contributions.

Expiring Tax Provisions

The American Taxpayer Relief Act of 2012 extended numerous provisions known as “extenders” that expired at the end of 2011 and 2012 through 2013. The Finance Committee will consider the permanent extension of some of these provisions as part of tax reform.

IRS Budget

The Internal Revenue Service requested \$12.8 billion for their FY 2013 budget. This was an 8.0% increase from the FY 2012 enacted level. The FY 2013 request included an enforcement account increase of more than \$402 million (7.6%) from the FY 2012 enacted level to implement enacted legislation, handle new information reporting requirements, increase compliance by addressing offshore tax evasion, expand enforcement, and enforce return preparer compliance. The FY 2013 request also included a Taxpayer Services account increase of \$13 million (0.6%) from the 2012 enacted level to allow continued improvements to both the quality and efficiency of taxpayer service.

We support a balanced approach to tax administration and we support a strong and sufficient enforcement budget, dedicated to that task, together with sufficient funding for taxpayer services and modernizing IRS information technology. Helping taxpayers understand their tax responsibilities upfront promotes higher rates of voluntary tax compliance, reducing the need for subsequent enforcement action. Critical IRS computer systems were built in the 1960s and must be upgraded to keep pace with an increasingly complex and global tax regime, and to facilitate more efficient analysis of tax return data and detection of tax schemes.

Maintaining Integrity in Our Tax System and Reducing the Tax Gap

The tax gap is the difference between the taxes that are legally owed and the taxes that are timely paid. In 2012, the IRS estimated the 2006 net tax gap figure to be \$385 billion annually. The Treasury Inspector General for Tax Administration has reported that this figure does not include the entire amount of the international tax gap, and that the IRS does not have a reliable estimate of the size of the international tax gap. The Government Accountability Office has called the tax gap a “high risk” problem. The National Taxpayer Advocate has previously identified the tax gap as a “most serious” problem. The IRS Oversight Board has cited the tax gap as its “foremost concern”.

The Finance Committee will continue to explore options and develop legislation to enhance tax administration, improve tax compliance, and reduce the tax gap, both on domestic and international activities.

The President's Budget for FY 2013 proposes that Congress allow for upward spending adjustments to the 302(a) appropriation ceilings included in the Budget Resolution. These adjustments can be used only for certain program integrity activities, and each adjustment is only allowed to occur if the base amount for that activity is fully appropriated. The President's Budget proposal for the IRS for FY 2013 included an additional \$700 million appropriations ceiling adjustment for this same purpose. The President's Budget includes the savings from this program integrity provision in its estimates of the deficits it proposes for each year. We recommend that the Budget Resolution do the same. The President's Budget also proposed that significant funding be dedicated for these activities in each of the next five years.

Scorekeeping of Payment Integrity Provisions

The President's Budget last year included a proposal to provide for an additional \$700 million of funds for IRS tax enforcement for FY 2013. We again recommend that the Budget Resolution allow for sufficient funds to support a balance of service, enforcement and technology that will maximize compliance by helping taxpayers understand their tax responsibilities, pursuing taxpayers who choose not to comply, and using technology to work efficiently.

HEALTH

Medicare Part A

The Medicare program spends over \$500 billion per year, almost one third of which is spent on Medicare Part A. We will perform a thorough examination of all provider payment systems under Part A to ensure responsible stewardship of the Medicare program, including potential reforms to increase the efficiency of those systems.

In addition, the Committee will focus on efforts to improve the health care delivery system. This includes broad programs to pay for performance, like hospital readmissions and value based purchasing, as well as new models of payment to shift payments away from fee for service. The Center for Medicare and Medicaid Innovation is developing several new models of care delivery aimed at paying for quality and reducing costs. As these programs are unveiled, we will continue to monitor their implementation.

Medicare Part B

Medicare Part B covers physician services, as well as hospital outpatient care, durable medical equipment and other services. The American Taxpayer Relief Act of 2012 averted a scheduled 26.5 percent payment cut to the Medicare physician fee schedule, replacing it with a 0 percent

payment increase for 2013. However, without subsequent legislation, an estimated 25 percent reduction in the Medicare physician fee schedule conversion factor will take effect on January 1, 2014. These reductions are the result of the Sustainable Growth Rate (SGR) formula, which reduces physician payments if aggregate physician payments exceed a target. The SGR formula calls for continued reductions to physician payments for the foreseeable future. If these reductions are not addressed, access to physicians for Medicare beneficiaries could be jeopardized.

The SGR system is broken and needs to be permanently reformed. However, modifying the current payment formula to mitigate these projected cuts – even for calendar year 2014 alone – will have a substantial budget impact. We will continue to work to develop viable long-term solutions to the policy and budgetary challenges created by the SGR.

There are also several other Part B policies that expire at the end of 2013 and will likely need to be extended. Addressing these policies will have a budgetary impact.

Medicare Part C and Part D

Medicare Part C, also known as Medicare Advantage (MA), and Part D offer health and drug benefits through contracts with private insurance plans. High quality private plans should continue to participate in both Medicare Parts C and D. These plans should continue to offer a diverse set of options for beneficiaries across the country.

The Affordable Care Act (ACA) linked payment to MA plans with the five-star rating system. The Centers for Medicare & Medicaid Services should continue to evolve this rating system to measure health care outcomes of beneficiaries across the care continuum. Congress must act by the end of this calendar year to extend Special Needs Plans (SNP) which will have a budgetary impact. This presents Congress with an opportunity to ensure these plans are effectively improving and coordinating the care of this frail population.

Medicaid and Children's Health Insurance Program

Medicaid and the Children's Health Insurance Program (CHIP) play a significant role in the U.S. health care system, providing coverage for low-income populations. The programs serve children, pregnant women and parents, and disabled and elderly individuals. According to data from CMS, the number of children enrolled in Medicaid and CHIP is more than 43.5 million. Medicaid also provides maternal health services - financing 40 percent of all births in the U.S. Medicaid is the source of health coverage for more than 4.6 million low-income seniors who are also enrolled in Medicare, 11 million non-disabled adults, and 8.8 million non-elderly individuals with disabilities.

According to the Congressional Budget Office (CBO), federal spending for Medicaid is expected to be \$297 billion in 2014, and CBO projects that the federal government will spend approximately \$4.36 trillion on Medicaid over the next ten years.

The Committee plans to address issues surrounding the quality of services Medicaid programs provide, appropriate federal funding levels for those services, and general program integrity. To that end, the Committee hopes that there will be sufficient flexibility in the budget to accommodate Medicaid policies that protect the health care safety net for our most vulnerable populations and preserve Medicaid.

Indian Health

American Indians and Alaska Natives (AI/AN) have access to care through the Indian Health Service (IHS) and some AI/AN also have coverage through programs administered by CMS including Medicare, Medicaid, and CHIP. The Committee believes that Congress should work to improve the coordination of services and payment between IHS and CMS in order to improve access to health care for all AI/AN.

Medicare, Medicaid and CHIP Program Integrity

Providing the Administration sufficient tools and funding for effective program integrity operations is a long-standing bipartisan goal. In order to ensure these efforts are able to continue, the budget should contain increased funding for preventing and detecting health care fraud.

Funding for the Health Care Fraud and Abuse Control (HCFAC) program has historically shown a well-established record of success in fighting fraud, waste, and abuse in Medicare and Medicaid, as well as a high return on investment (ROI). Over the past three years, the HCFAC's ROI has been \$7.90 to \$1, and since its inception, has returned \$23 billion to the Medicare Trust Funds. We support an increase in program integrity funding so that current program integrity activities can expand, including the Health Care Fraud Prevention and Enforcement Action Team (HEAT) operated jointly by the Departments of Health and Human Services and Justice.

HUMAN SERVICES

Temporary Assistance for Needy Families (TANF) and Related Programs

Unless Congress takes action, TANF, Child Care, and Marriage and Fatherhood, and related programs will expire on March 27, 2013. A reauthorization of these programs is important so that the critical safety net provided by these programs is not compromised in these difficult economic times.

Child Welfare

In 2011, in response to critical issues for youths in foster care and families seeking to adopt, the Congress, on a bipartisan and bicameral basis, enacted the Child and Family Services Improvement and Innovation Act (CFSIIA). The CFSIIA reauthorized the Promoting Safe and Stable Families (PSSF) program under Title IV-B of the Social Security Act. CFSIIA also continued the Court Improvement Act and allowed states the flexibility to improve their programs by expanding HHS' child welfare waiver authority.

As implementation of both the CFSIIA and the Fostering Connections to Success and Increasing Adoptions Act of 2008 continues, Congress must work with the Departments of Health and Human Services, Justice, and Education, and states to address the opportunities envisioned in these laws, and address the challenges that remain. Reform of the financing structure for foster care is long overdue. However, any reform of foster care financing must include systemic quality improvements that promote safety and permanency, as well as efforts to strengthen upfront and prevention services for fragile families. We intend to continue to make progress in advancing reforms to the child welfare system, and look forward to working on proposals to:

- Improve child welfare outcomes, including strengthening the recruitment and retention of foster families, increasing permanency through reunification, adoption, and guardianship;
- decreasing rates of maltreatment recurrence and any maltreatment while in foster care;
- reducing rates of re-entry into foster care; and addressing the needs of older youth in foster care.

We request that this year's budget appropriate fiscally responsible funding to assist states in making needed improvements in the child welfare system.

Child Support Enforcement

When Congress addresses issues associated with improvements to child support enforcement, Congress should consider activities that help parents cooperate and support their children. States should also be encouraged to promote access and visitation in the best interest of the child.

Maternal and Child Health Block Grant

According to the Organization for Economic Cooperation and Development (OECD), an intergovernmental organization of 34 economically advanced democratic member countries aimed to develop key policy recommendations to serve as international standards, the infant mortality rate in the United States in 2008 was 6.6 infant deaths per 1,000 live-births compared to an OECD member average of 4.4. infant deaths per 1,000 live births. We remain committed to improving our country's standing on infant mortality. To that end, the Maternal and Child Health Block Grant should continue to offer high quality services to expectant mothers and children.

Unemployment Insurance

In 2012, Congress enacted the Middle Class Tax relief and Job Creation Act of 2012. The legislation included a continuation of emergency federal benefits, reforms to the unemployment system, and provisions that prevent job losses and improve access to work.

Most recently, the American Taxpayer Relief Act of 2013, included a one-year extension of the Emergency Unemployment Compensation and the Extended Benefits Programs. In addition, the Act included extensions of funding for Reemployment Services and Reemployment and Eligibility Assessment Activities and Extended Unemployment Benefits under the Railroad Unemployment Insurance Act.

In January 2013, the unemployment rate was at 7.9%. The number of long-term unemployed persons is at 4.7 million and accounts for 38.1 percent of the unemployed population. The total number of unemployed persons is at 12.3 million. The number of persons employed part time for economic reasons, at 8.0 million, changed little in January.

There are several issues related to the unemployment system and job creation that warrant Congressional attention this year including benefit policies; addressing the solvency of state UI trust funds in a fiscally responsible way; and improving UI financial integrity by reducing improper payments and employer tax evasion.

The Committee would like the flexibility to further develop these policy opportunities and requests a reserve fund for these activities in the Budget Resolution.

TRADE

The Finance Committee may consider legislation to grant the President Trade Promotion Authority, which expired on July 1, 2007. The Committee also may consider legislation to reauthorize the commercial functions of the Bureau of Customs and Border Protection (CBP) and the Bureau of Immigration and Customs Enforcement (ICE) at the Department of Homeland Security (DHS), as well as legislation to reauthorize the Office of the U.S. Trade Representative and the U.S. International Trade Commission. In addition, the Committee may consider legislation to enhance the enforcement of U.S. trade agreements and U.S. trade laws; legislation to enhance the enforcement of intellectual property rights abroad; legislation to address exchange rate misalignments; legislation to authorize permanent normal trade relations with Tajikistan and Kazakhstan; legislation to suspend or reduce tariffs on miscellaneous imports; legislation to implement a possible multilateral trade agreement in the World Trade Organization (WTO); legislation to implement a possible Trans-Pacific Partnership free trade agreement; legislation to implement a possible Trans-Atlantic Trade and Investment Partnership free trade agreement; legislation to implement a possible International Services Agreement; legislation to address trade and travel restrictions with Cuba; and legislation to address U.S. laws that are found to be inconsistent with our WTO obligations. Finally, the Committee may consider legislation to

address the expiration of key trade legislation, including legislation to extend Trade Adjustment Assistance, which expires on December 31, 2013; legislation to extend the Generalized System of Preferences, which expires on July 31, 2013; legislation to extend the Andean Trade Promotion and Drug Eradication Act, which expires on July 31, 2013; and legislation to continue trade sanctions against Burma, which expire on July 26, 2013.

The Finance Committee also will conduct oversight over a number of key trade issues, including the U.S.-China trade and economic relationship, enforcement of U.S. rights under trade agreements, the application of U.S. trade remedy laws, protection and enforcement of U.S. intellectual property rights abroad, the African Growth and Opportunity Act, and the President's National Export Initiative. The Committee also will conduct oversight of ongoing international trade and investment negotiations and dialogues, including (1) discussions aimed at concluding new agreements in the WTO; (2) plurilateral negotiations to conclude the Trans-Pacific Partnership free trade agreement; (3) negotiations to conclude a Trans-Atlantic Trade and Investment Partnership free trade agreement; (4) negotiations to conclude a possible International Services Agreement; (5) discussion under the Asia-Pacific Economic Cooperation forum; (6) negotiations to conclude bilateral investment treaties with China, India, Vietnam, Georgia, Mauritius, the Czech Republic, and Pakistan; (7) discussions under the U.S.-China Strategic and Economic Dialogue and the Joint Commission on Commerce and Trade; and (8) other ongoing international negotiations and dialogues. The Finance Committee also will monitor implementation of existing free trade agreements and other on-going international trade commitments.

The Finance Committee also will continue its extensive oversight efforts of the Homeland Security Act of 2002, which transferred certain customs functions from the Department of the Treasury to DHS. The Committee also will monitor implementation of the Security and Accountability For Every (SAFE) Port Act of 2006, which authorized the restoration of trade resources and unification of trade personnel under a new Office of International Trade. The SAFE Port Act also authorized key programs such as the International Trade Data System and the Customs-Trade Partnership Against Terrorism. The Committee will continue to oversee the activities of DHS and the Department of the Treasury affecting trade in order to ensure that a careful balance is maintained between the need for strong border security and the need for strong economic security, which is based in part on an open and secure international trade system. In addition, the Committee will continue its oversight over other agencies with international trade functions, with particular emphasis upon Executive branch proposals to reorganize U.S. Government international trade agencies.

In the course of realizing its international trade priorities, the Finance Committee anticipates additional costs incurred by program expansion and extension as well as revenue losses through tariff reductions. To this end, we request that the Budget Committee include a budget neutral reserve fund for international trade priorities over a ten-year period, with which the Committee could pay for reauthorization of CBP and ICE trade functions; enactment of trade and intellectual property enforcement legislation; enactment of exchange rate misalignment legislation; enactment of legislation to suspend or reduce tariffs on miscellaneous imports; and other trade matters.

SOCIAL SECURITY

Long-term Financing

Social Security's long-run finances face challenges. The 2012 Annual Report of the Board of Trustees of the Old Age and Survivor Insurance Trust Fund and the Disability Insurance Trust Funds (OASDI) indicates that the combined assets of the Social Security Trust Funds will exhaust in 2033. After 2033, revenue to the trust funds will finance about 75 percent of current law benefits. The 2012 Social Security Trustees' report states:

"The Trustees recommend that lawmakers address the projected trust fund shortfalls in a timely way in order to phase in necessary changes and give workers and beneficiaries time to adjust to them. Implementing changes soon would allow more generations to share in the needed revenue increases or reductions in scheduled benefits. Social Security will play a critical role in the lives of 56 million beneficiaries and 159 million covered workers and their families in 2012. With informed discussion, creative thinking, and timely legislative action, Social Security can continue to protect future generations."

The OASDI Trust Funds consist of two funds: The Old Age and Survivor Insurance (OASI) Trust Fund and the Disability Insurance (DI) Trust Fund. The two trust funds are often considered on a combined basis because the allocation of the tax rates between the two funds can be and has been changed in the past in order to address financing differences between the two funds. When considered separately, the Disability Insurance (DI) Trust Fund is projected to exhaust in 2016 and will be able to pay 79 percent of benefits thereafter. Payroll taxes into the DI Trust Fund were last adjusted by legislation enacted in 1994. At that time, it was projected that the trust fund would exhaust in 2016. Action should be taken soon to address the current financing of the DI Trust Fund. Options the committee could consider include: modifying the allocation of tax rates between the two trust funds; modifying program benefits; modifying program revenues; or a combination of these options.

We believe that addressing Social Security's financial challenges will require bipartisan legislation reported out by the Finance Committee. Although developing a financially responsible approach that protects and improves Social Security will be a complex task, we believe our efforts can succeed if we work together.

Service Delivery

For over two years, the administrative resources of the Social Security Administration have been significantly below the President's Budget requests. The lack of adequate funding has derailed progress on two important service delivery goals at SSA: eliminating the disability hearings backlog and processing the optimal amount of program integrity reviews. In addition, SSA has eliminated overtime for workers, cut the hours that field offices are open to the public, delayed important "post entitlement" work, and substantially curtailed the mailing of annual *Social Security Statements*. The use of a Continuing Resolution for the first six months of FY2013 and the likely implementation of a sequester for the last seven months of the fiscal year threatens

further deterioration of service. The Congress, working together with the Administration, needs to do better in providing SSA with sufficient resources. We hope the recommendation for SSA's Limitation on Administrative Expense (LAE) in the FY2014 Budget Resolution will be part of that effort.

At this time, we do not know the President's Budget Request for SSA for FY2014 or the request of the Commissioner to OMB for FY2014. For FY2013, the Commissioner asked for \$12.513 billion for SSA's administrative budget. This level was \$753 million above the President's request of \$11.760 billion for SSA's administrative expenses for FY 2013. Several organizations that represent stakeholders of SSA have written to OMB requesting that administrative funding for SSA for FY2014 be at least \$12.3 billion. This amount is based on the President's FY2013 request of \$11.7 billion increased by \$300 million for costs that grow every year but are unavoidable such as rent and facility security, and an additional \$300 million to reduce the backlog of post-entitlement and program integrity work. Recognizing the need for fiscal restraint in the Federal Budget at this time, we request that the Budget Resolution for FY2014 recommend a funding amount for SSA that will allow the Agency to cover its growing costs, reduce work backlogs, and conduct an optimal amount of program integrity activities.

Program Integrity

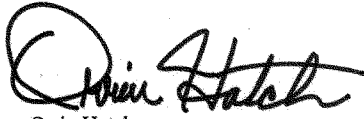
For many years, our Committee and many others have advocated that SSA should be provided with sufficient resources to provide good customer service and complete program integrity work that prevents improper payments. There is broad agreement that investments in administrative resources can reduce improper payments and save substantial taxpayer dollars. OMB estimates that for every one dollar spent on Continuing Disability Reviews (CDRs) by SSA, nine dollars are saved; every one dollar spent on SSI redeterminations save six dollars in program costs.

Special budget mechanisms called "cap adjustments" were enacted in the 1990s to provide strong incentives for the Congress to fund SSA's program integrity work and they were generally regarded as successful because program integrity work increased each year. In 2003, however, when the cap adjustment expired, program integrity work declined.

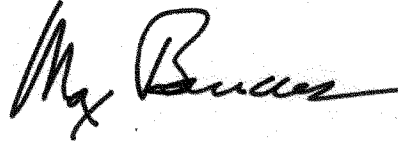
In 2011, as part of the Budget Control Act, a similar cap adjustment was put in place to incentivize funding for SSA's program integrity work. Unfortunately, in FY2012, the first year that the cap adjustment was available, the Congress underfunded the cap adjustment by \$140 million. OMB estimates that this reduction in spending of \$140 million likely caused the government to forgo savings of \$800 million. Because FY2013 has been funded under a CR from FY2012, an additional \$800 million in savings will also likely be not realized.

We support the cap adjustment budget mechanism and hope the Budget Resolution will do so as well. That sufficient funding was not provided in FY2012, however, may indicate that the Committees with influence over SSA's budget and policies should develop a better strategy to achieve optimal program integrity funding.

Sincerely,

A handwritten signature in black ink that reads "Orrin Hatch". The signature is fluid and cursive, with the first name "Orrin" being more prominent than the last name "Hatch".

Orrin Hatch
Ranking Member

A handwritten signature in black ink that reads "Max Baucus". The signature is fluid and cursive, with the first name "Max" being more prominent than the last name "Baucus".

Max Baucus
Chairman

ROBERT MENENDEZ, NEW JERSEY, CHAIRMAN

BARBARA BOXER, CALIFORNIA
 BENJAMIN L. CARDIN, MARYLAND
 ROBERT F. CASEY, JR., PENNSYLVANIA
 JEANNE SHAHEEN, NEW HAMPSHIRE
 CHRISTOPHER A. COONS, DELAWARE
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 TIM Kaine, VIRGINIA

BOB CORKER, TENNESSEE
 JAMES E. RISCH, IDAHO
 MARCO RUBIO, FLORIDA
 RON JOHNSON, WISCONSIN
 JEFF FLAKE, ARIZONA
 JOHN MCCAIN, ARIZONA
 JOHN BARRASSO, WYOMING
 RAND PAUL, KENTUCKY

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

March 1, 2013

Senator Patty Murray
 Chairman
 Senate Budget Committee
 624 Dirksen Senate Office Building
 Washington, DC 20510

Senator Jeff Sessions
 Ranking Member
 Senate Budget Committee
 624 Dirksen Senate Office Building
 Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions:

I am writing to you to share my views on the International Affairs budget for FY 2014 and programs under the jurisdiction of the Committee on Foreign Relations. The President's Budget Request was due the first Monday of February, but since the President has failed to meet this statutory deadline, it is difficult for us to have an informed debate regarding the next International Affairs budget. It is also complicated by the fact that the Senate has failed to set priorities for International Affairs, having not passed a budget since 2009 or completed a reauthorization of State Department and foreign assistance authorities in recent history.

The United States must invest in the agencies and programs needed to advance its core economic and security interests. Careful and strategic funding for critical partners and initiatives around the world is needed, but given the finite nature of our resources, I firmly believe that we must find ways to reform our foreign assistance programs to make them more accountable and effective. The best way to begin these reforms is by passing a sustainable budget with responsible baseline spending caps and returning to annual reauthorizations of U.S. foreign assistance and State Department authorities.

I am deeply concerned about the dire fiscal situation of the United States government and the need to reduce spending. Last year alone we added \$1.1 trillion of debt, causing the nation's debt to reach 105 percent of our GDP. This is neither sustainable nor responsible. Now that Congress and the President have acted to identify new revenue, we must take on the difficult challenge of making thoughtful, but substantive reductions in spending.

As we currently operate in a "sequestration environment," the first step in addressing spending reductions is ensuring that the FY 2014 Budget reflects the new baseline that is the result of the sequester. All accounts, including the International Affairs budget, must be reprioritized under the sequester cap, a small but important step towards returning to sustainable, baseline spending. Next, the Committees should authorize and appropriate within these caps and remain engaged with the Administration to assess the effectiveness of programs and mechanisms. These steps will position the United States to advance its essential interests globally.

Some have made dire but inaccurate predictions regarding these sequestration cuts to the International Affairs budget. The Foreign Assistance Act and many other foreign affairs funding statutes include provisions that authorize the transfer of some funds within the international affairs budget. This means that, with Congressional approval, the President may use existing transfer authorities to use a portion of funding from lower priority programs to increase funding for higher priority programs.

As Ranking Member of the Senate Foreign Relations Committee, I look forward to working with the Chairman and the Administration on a review of international affairs and foreign assistance programs to understand how priorities are being set, what approaches and mechanisms are working and which are less useful or affordable today.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Corker", with a long horizontal flourish extending to the right.

Bob Corker
Ranking Member

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

March 1, 2013

Senator Patty Murray
Chairman
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, DC 20510

Senator Jeff Sessions
Ranking Member
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions:

I am writing to share my views on changes relative to the CBO FY2013 baseline for the FY2014 International Affairs budget and programs under the jurisdiction of the Committee on Foreign Relations, as required by Section 301 (d) of the Congressional Budget Act of 1974.

Our strength in the world rests on our strength at home – and so too our strength at home demands that we be strong in the world. Given the challenges of today's complex international security environment and our current budget environment, the task of deciding how to most effectively and efficiently pursue U.S. priorities through the international affairs budget, which represents less than 1.5 percent of the Federal budget, is more critical than ever, and makes the decisions that your Committee will make regarding our international affairs budget as we seek to place our nation on a sustainable fiscal course all that much more consequential.

The FY2014 CBO baseline of \$4.6 billion for Afghanistan reflects the critical role that the State Department and USAID play to support the transition to a counter-terrorism strategy and sustain key investments in infrastructure, governance, rule of law, economic growth, health, and education. This amount also includes operational requirements in anticipation of the military to civilian transition. Civilian funding for Afghanistan has been on a downward trajectory since its peak in FY2010, which I have supported given concerns about absorptive capacity, impacts on the Afghan economy, and issues of sustainability. To its credit, USAID has started to significantly revise how it spends funds to address these issues and ensure that civilian resources achieve their goals, support the transition, and are sustainable when invested in long-term projects. Further drastic cuts in civilian funding at this time could jeopardize the gains we have made thus far.

The U.S.-Pakistan relationship has improved in the last year and we must continue to support stability in Pakistan as it is vital to our national security. "The Enhanced Partnership with Pakistan Act" authorized civilian funding to support this partnership. I intend to work closely with the Administration to design an effective implementation plan for these funds, based on our evolving

bilateral relationship. Security assistance to Pakistan can also be a critical tool in building our relationship with the Pakistani military.

The tragic attacks in Benghazi, in which four brave Americans lost their lives, highlighted the exigent need for Congress to appropriate more funds toward protecting U.S. diplomats and development professionals overseas. Rapidly evolving security dynamics across the world demand that the State Department operate in increasingly dangerous environments. U.S. diplomats cannot do so behind bunkers and barbed wire. In their final report, the independent Accountability Review Board charged with investigating the incident, correctly stated "...it is imperative for the State Department to be mission-driven, rather than resource-constrained – particularly when being present in increasingly risky areas of the world is integral to U.S. national security."

Bolstering the safety of U.S. diplomats and development professionals will be accomplished across a spectrum of activities, from security upgrades to personnel protection. Diplomatic security is funded primarily from five subaccounts: Worldwide Security Protection (WSP); Worldwide Security Upgrades within the Embassy Security, Construction, and Maintenance (ESCM) account; Diplomatic Security (DS); Counterterrorism within the Diplomatic and Consular Programs (D&CP); and Diplomatic Security within the Border Security Program (BSP). It is vital, therefore, that Congress support the administration's FY2014 request to fully fund all of these accounts at least at the levels requested by the administration.

I feel strongly that our international affairs budget should more accurately reflect the importance of relationships, opportunities, and challenges in our own hemisphere. Latin American and Caribbean nations are our neighbors, and our actions in the hemisphere have a direct, often magnified, impact at home.

The U.S. has strong commercial ties with the region, and our economy is stronger when the economies of our trading partners are strong. In 2012, total U.S. exports to Latin America and the Caribbean were valued at \$398 billion, and U.S. imports from the region were valued at \$448 billion. After Canada, Mexico is now tied with China as our second most important trading partner. Bilateral trade is currently \$500 billion a year. Much of this trade involves manufacturing co-production; approximately 40% of Mexico's finished exports contain parts made in the U.S. U.S. investments in the region expand markets for American businesses and connect high quality Latin American goods to the U.S. market.

Our strategic interest in the region is not, however, purely economic. Engagement with the region promises great opportunity, but our engagement also requires that we face certain challenges alongside our neighbors. U.S. demand for illegal drugs drives a sizeable illicit market in the region and this trade, operating in countries with chronically weak institutions, exacerbates an already tenuous security climate. Honduras now has the highest homicide rate in the world. For security reasons, the Peace Corps recently ceased operations in Honduras and significantly scaled them back in neighboring Guatemala and El Salvador.

Latin American and Caribbean security has direct implications for the United States. Insecurity disrupts markets. Violence is a migration push factor and it affects the wellbeing of U.S. citizens abroad. Our approach to combat insecurity alongside our Latin American partners is laudable. We partner with them to strengthen state institutions, contributing to government capacity to provide security to their citizens. However, if we want to truly address the challenges of insecurity in Latin America and the Caribbean, we must devote notably more resources and attention to the task.

I have long-supported a strong budget allocation for U.S. democracy promotion funding in Cuba. Our efforts on this score provide critical support to Cuba's civil society such as access to communication technology, humanitarian assistance for the families of political prisoners, and training for independent journalists. It is essential that in this budget we uphold the historical funding level of \$20 million to demonstrate our strong support in Cuba for democracy, freedom of expression and assembly, and human rights.

The crisis in Syria presents an enormous challenge. There are an estimated 2 million internally displaced persons and over 950,000 Syrians seeking refuge in neighboring countries. With each day that civil war rages, the numbers and needs grow. One of the major ways the U.S. has responded is by providing humanitarian assistance; thus far, our government has contributed nearly \$385 million in aid. While the international community remains at an impasse over a possible political solution to end the conflict, it is crucial that the U.S. not ignore the acute needs of the Syrian people and continues to fund the efforts of our brave UN and NGO partners providing food, medicine, and other urgent care to those impacted by the war. In addition, the U.S. has provided \$54 million in non-lethal support to the unarmed Syrian opposition and the administration will soon request another \$60 million for the Syrian Opposition Council in an effort to steer Syria towards a peaceful, democratic, and inclusive future.

U.S. aid to Egypt of \$1.55 billion is comprised of \$1.3 billion in FMF and \$250 million in ESF. These funds represent an investment in both regional stability and our partner's long-term prosperity and security. The Arab world's largest country by population, Egypt is undergoing a historic and challenging transition, which the U.S. supports as the Egyptian government and people fulfill their revolution's promise. The Administration's planned assistance to Egypt would, in the midst of great change, help maintain the Egyptian-Israeli peace, boost security efforts to address growing threats in the Sinai, and turn around the country's unstable economy.

The U.S. and Israel enjoy a longstanding partnership, and it is in our national interest to support Israel as it faces threats to its survival and security. The Administration's request for \$3.1 billion in FMF will help Israel face the growing security challenges posed by ongoing turmoil in its neighborhood and demonstrate that, in the face of so much uncertainty, U.S. commitment to the survival of Israel is unshakeable.

The Middle East and North Africa Incentive Fund is \$770 million and is intended to help spur democratic and economic reform in a region that has witnessed significant social and political change in the last two years. The Arab Spring transitions present an opportunity to readjust our relationship with the countries of the Middle East and North Africa. This fund will help the U.S. meet that foreign policy challenge. I support the Administration's request for broad authority and flexibility in the use of these funds to respond to the dynamic political and economic realities in the region.

As your Committee considers the FY14 budget, the nations of the Asia-Pacific region are looking to see if the United States will adequately fund our diplomacy so that it is consistent with the Administration's determination to "rebalance" our global engagement towards the Asia-Pacific region. To demonstrate our endurance as a Pacific power, and particularly in light of the new challenges and opportunities presented by a rising China, as well as the need to further deepen our regional alliances and partnerships, I believe it is critical that we provide adequate resources to meet the needs of the Asia-Pacific rebalance.

A significant portion of the International Affairs budget is devoted to assisting allies and partners around the world in meeting their security needs. The security assistance funded through the Foreign Military Financing, International Military Education and Training, and Nonproliferation, Antiterrorism, Demining and Related Programs accounts enhances the capability of partners to serve alongside U.S. forces and fosters engagement through which the United States can influence the values and behavior of foreign militaries. Among other critical needs, the FY2014 request for these activities reflects the continued expansion of support for Israel's military.

Security assistance must be carefully calibrated with our foreign policy priorities. It is therefore critical that the Congress fund traditional U.S. security assistance programs in a way that ensures that the State Department will continue to provide the essential foreign policy oversight of their execution; the Committee supports funding these accounts for FY2014 at least at the levels requested by the administration. Indeed, the rapidly evolving security landscape in regions such as the Middle East and the Asia Pacific demands that the State Department continue to invest in relationships that will advance U.S. national security. Even in the current age of fiscal austerity, the benefits of such investments are well worth the cost.

In addition to security assistance funding, the State Department's humanitarian assistance budget is crucial as we consider how to best secure US interests around the globe. Robust humanitarian assistance is essential to providing life-saving care to the world's most vulnerable populations during crises. The needs are great – from the devastation in Syria to the humanitarian crisis in the Sahel to poor conditions for more protracted refugee communities such as Afghans, Somalis, and Burmese. I strongly support a robust budget for the Migration and Refugee Assistance (MRA) account. I also strongly urge Congress to consider appropriating additional funds for the Emergency Refugee and Migration Assistance (ERMA). It currently stands at a mere \$9 million. The State Department must have the tools necessary for a flexible response to emergencies. I am afraid we cannot afford cuts to humanitarian assistance. Investments in development such as Feed the Future both help meet urgent current needs and bolster the capacity of countries and communities to care for their own people.

We have the opportunity to catalyze tremendous progress against HIV/AIDS, tuberculosis, and malaria by concentrating resources on micro-epidemics, utilizing proven interventions that maximize impact, combatting drug resistance, and helping countries transition into leadership of these efforts. I strongly support maintaining funding of the President's Emergency Plan for AIDS Relief (PEPFAR) at the continuing resolution level of \$4,592,900,000 and support funding for the Global Fund to Fight AIDS, Tuberculosis, and Malaria at the President's proposed FY2013 level of \$1,650,000,000. These bilateral and multilateral programs are critical complements to one another and to our global health strategy, and with the series of reforms that have been undertaken at the Global Fund as well as new leadership at its helm, now is the moment to invest.

United Nations peacekeeping represents a crucial global investment in security and stability. However, under the current Continuing Resolution, the United States is in danger of falling back into arrears. This is unfolding before the world faces the virtual certainty that a mission will need to be established in Mali and the possibility that one might be undertaken in Syria, if a post-civil war context emerges. It is important, therefore, that Congress provide both the authority to meet our assessed obligations at 28.4 percent and the funding for international peacekeeping at least at the FY2013 Senate level of \$2,006,500,000 for Contributions for International Peacekeeping Activities and \$142,000,000 in support for the mission in Somalia, which Congress has funded through Peacekeeping Operations with transfer authorities.


I support continued robust funding for global climate change initiatives. These programs not only promote clean energy projects and assist developing countries prepare for the effects of climate change, but they are essential for maintaining our leadership role on environmental issues internationally. They are also important in addressing energy poverty and climate-related security issues.

Strong and directed international affairs funding is also essential to strengthen the economy and create jobs at home. Our contributions to international financial institutions like the World Bank help open markets for American businesses. Commercial and export agencies funded under the Function 150 account, such as the Overseas Private Investment Corporation and U.S. Trade and Development Agency, are identifying and financing business opportunities important for future U.S. economic growth. To those ends I fully support the efforts by Overseas Private Investment Corporation to increase direct loan and loan guarantees from approximately \$3.1 billion to \$4 billion.

I fully recognize that the gravity of the decisions your Committee will be called on to make during a very difficult budget environment. Nonetheless, given the critical importance of the national security challenges our nation faces I encourage you to fully support the FY2014 CBO baseline for the Department of State, USAID and related agencies. Global leadership is a strategic imperative for the United States, vital to secure and protect our people, our country, our national security interests, and our future economic prosperity.

I appreciate your consideration of these views, and I look forward to working with you on the budget resolution.

Sincerely,



Robert Menendez
Chairman

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United States Senate

COMMITTEE ON HEALTH, EDUCATION,
 LABOR, AND PENSIONS

WASHINGTON, DC 20510-6300

JAMPA A. J. SMITH, STAFF DIRECTOR
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March 1, 2013

The Honorable Patty Murray
Chairman
Senate Committee on the Budget
624 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jeff Sessions
Ranking Member
Senate Committee on the Budget
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Patty and Jeff:

I write to provide my views and estimates from the Health, Education, Labor and Pensions (HELP) Committee for your consideration as you prepare for the Fiscal Year 2014 Budget Resolution. As you face this challenging task, I encourage you to view the recommendations of the HELP Committee – and all Committees – with one primary goal in mind: strengthening the American middle class. Both history and common sense tell us that our nation thrives when our middle class thrives. When families have good jobs with fair wages, when they can buy a house and a car and send their kids to college, and when they can afford to go to the doctor, pay their bills, and retire with dignity, that is when our economy grows and America is at its best.

Certainly, addressing the concerns we all share about our national debt is part of building a firm foundation for growth. However, it is even more important to our nation's long-term economic well-being that we are willing to embrace a bold vision for a better future, and to make substantial investments in programs and policies that help working families succeed. Many of the programs and policies that form the building blocks of a strong middle class fall within the jurisdiction of the HELP Committee.

In the next fiscal year, the HELP Committee will have the opportunity to consider visionary proposals that could change the future of our country – from expanding early childhood education to guaranteeing every American a secure retirement to increasing the labor force participation of people with disabilities by 20 percent in the next two years. We will have an opportunity, even in tough fiscal times, to help every hardworking American build a better, more secure economic future. I ask for your commitment to make this vision a reality, and for your strong support for key program areas that are particularly vital to this effort.

Early Learning. As the President emphasized in his State of the Union address, early learning is key to jump start the achievement of all children. A strong early learning system in each state will make quality early care and education opportunities available to all American families, building a strong foundation for a successful future. As we explore ways to improve the quality of, and access to, preschool programs, it will be important to ensure that we maintain our existing early learning investments in programs like Head Start and the Child Care and Development Block Grant. It is also critical that we build on these foundations, by providing a deficit neutral reserve fund that could accommodate HELP Committee legislation to expand early learning opportunities for low income children.

Core K-12 Supports. One of the most important responsibilities of the federal government in education is providing a ladder of opportunity for those students who are most disadvantaged. With that principle in mind, we must maintain -- and if possible increase -- funding for the core federal support programs for pre-kindergarten through 12th grade. Title I and IDEA funding forms the foundation of services for those students with the most challenges. We should protect those programs in order to ensure that states and districts can address the educational needs of all students, and that all students have the opportunity to succeed.

Postsecondary Education and Training. Higher education is a critical pathway to the middle class. The Pell Grant program and student loans are the foundation of federal access to higher education. As we strive for the United States to have the world's most highly educated and skilled workforce, we must ensure that the Pell Grant program is adequately protected and student loan interest rates do not increase above current levels in the current tough economic climate. In addition, we must provide appropriate funding for federal programs that enable students to pursue postsecondary education and training opportunities, including the Carl D. Perkins Career and Technical Education Act and the Workforce Investment Act. We request the Budget Committee provide for funds to maintain level discretionary funding for the Pell Grant program as well as a deficit neutral reserve fund that could accommodate HELP Committee legislation to make college more affordable for more Americans.

Implementation of the Affordable Care Act. For the first time in history, the Affordable Care Act makes affordable, comprehensive health insurance coverage available to all Americans, regardless of employment, financial means, gender, or health status. As this historic coverage expansion is implemented next year, we must be vigilant in protecting the programs that support that expansion. In particular, the risk adjustment, risk corridor, and reinsurance programs are vital to stabilizing the private insurance market and distributing risk appropriately among private insurers. Equally important are the subsidies that reduce out of pocket exposure for families below 250% of the poverty line -- without these cost-sharing subsidies, coverage would be unaffordable for many. We must also protect the funding provided in the Affordable Care Act to assist states in building insurance marketplaces, where consumers will shop for affordable, comprehensive coverage.

Finally, we must plan for the demands that this dramatic expansion in coverage -- combined with our aging population -- will place on our health care workforce. To ensure we have the workforce to meet our future needs, we must continue investing in critical health care training programs such as the Title VII and VIII programs and children's hospitals graduate medical education. Additional programs such as the teaching health centers and the National Health Service Corps will also be key to help distribute providers to the areas with greatest needs.

Community Health Centers. The Federally Qualified Health Centers program provides high quality, low-cost primary care to more than 22 million patients in over 9,000 locations across the country. Recognizing the value of this program, Congress included an \$11 billion health centers fund in the Affordable Care Act to expand and renovate health centers. However, this additional funding will run out in 2016, and it will be difficult to find the discretionary appropriations to fill this gap. Therefore, I urge you to keep this funding in the budget baseline beyond 2016 on the mandatory side to ensure that we can continue funding this critical program.

Promoting Health, Wellness and Public Health. Maintaining the Prevention and Public Health Fund, created by the Affordable Care Act, is absolutely critical to efforts to transform our nation into a genuine wellness society and drive down health care costs. For working families, the Fund is making transformative investments in States and communities across the nation to prevent deadly chronic diseases such as cancer, diabetes, and heart disease. The Community Transformation Grant Program, a key effort supported by the Fund, is expected to improve the health of more than 4 out of 10 U.S. citizens—about 130 million Americans.

If we are serious about building greater economic security for American families, we must continue down a path that reverses the escalating long-term cost and unprecedented growth of chronic diseases in the United States. Previous cuts to the Prevention and Public Health Fund have been penny-wise and pound foolish and I strongly oppose any further reductions.

Food and Drug Administration. Working families rely on the FDA to ensure the food they eat and the medicines they take are safe. Unfortunately every year, counterfeit drugs, tainted cosmetics, and unsafe foods sicken and cause deaths of parents and children, and underscore the importance of FDA's work. Full implementation of important measures to protect consumer and patient health, including the Food Safety and Modernization Act, which was enacted in January 2011, and the Food and Drug Administration Safety and Improvement Act, enacted in July 2012, will require robust funding for FDA. In addition, as we explore ways to ensure compounded drugs are safe for all families and avoid the recent deaths related to contaminated compounded drugs, I urge you to support increased funding for the FDA to help ensure consumer and patient safety.

I also request that you create a reserve fund for FDA user fees to be addressed if the fees are affected by sequestration and are unable to be used for their stated purpose and cannot go to the Department of Treasury.

Mental Health. The tragedy in Newtown, Connecticut, in December turned the nation's attention to the state of our mental health care system. Mental illness often begins in childhood and adolescence, yet only one in five children with a diagnosable mental health condition is receiving appropriate treatment. As we explore ways to improve prevention, early intervention, and treatment of mental illness, it will be critical to maintain our investments in programs funded through the Substance Abuse and Mental Health Services Administration.

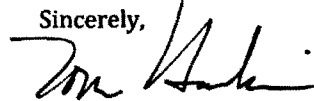
Retirement Security. After a lifetime of hard work, everyone deserves the opportunity to live out their golden years with dignity and financial independence. But for most of the middle class, the dream of a secure retirement is slipping out of reach. This year, I intend to move forward with legislation to solve the retirement crisis by strengthening the private pension system. The legislation will give more middle class families the opportunity to earn a secure source of retirement income for life, and will make it significantly easier for employers – especially small businesses – to provide a cost-effective, high-quality retirement plan to their employees.

These efforts to improve the retirement security for middle class families will require additional resources from the federal government. Therefore, we ask that the budget help lay the groundwork for this seminal legislation by creating a deficit neutral reserve fund specifically allocated for private pension reform in the 113th Congress.

Certainly this letter is not intended to be an exhaustive list of the HELP Committee's priorities in the 113th Congress. We are preparing for significant additional work to support middle class families, including protecting workers' rights, preventing employment discrimination and promoting employment opportunities for people with disabilities. My goal instead in this letter is to highlight key areas where the Budget Committee's attention and careful planning will be particularly important to HELP's work to strengthen the American middle class. I know that the Budget Committee's members on both sides of the aisle share this important goal, and I look forward to working with you both on these important issues in the coming weeks.

Thank you for your consideration of these views.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Harkin".

Tom Harkin
Chairman

LAMAR ALEXANDER
Tennessee

United States Senate

WASHINGTON, DC 20510

March, 4, 2013

The Honorable Patty Murray
Chairman
Senate Budget Committee
624 Dirksen Senate Building
Washington, D.C. 20510

The Honorable Jeff Sessions
Ranking Member
Senate Budget Committee
624 Dirksen Senate Building
Washington, D.C. 20510

Dear Chairman Murray and Ranking Member Sessions:

Pursuant to Section 301(d) of the Congressional Budget Act, I am responding to your letter dated February 8, 2013 requesting a views and estimates letter for FY2014 programs and activities that fall under the jurisdiction of the Senate Committee on Health, Education, Labor and Pensions (HELP).

It is time to start balancing the budget and living within our means. Since President Obama took office, our national debt has increased by nearly \$6 trillion. Total federal debt now exceeds \$16.6 trillion, and the Congressional Budget Office projects the debt will increase another \$6.9 trillion over the next 10 years. Discretionary spending—which pays for national defense, national labs, national parks, education, and infrastructure—is being crowded out by mandatory spending and interest on the debt. Discretionary spending made up 36 percent of the federal budget last year, but by 2023 will only make up 24 percent of the federal budget – the rest will go to mandatory programs and interest on the debt.

In August 2011, the Budget Control Act reduced spending for every dollar Congress raised the debt ceiling. This was a welcome change in behavior I was glad to support. If Congress did this kind of dollar-for-dollar reduction in spending every time a president asked Congress to raise the debt ceiling, we would balance the budget in 10 years. Balancing the budget is exactly what our goal should be, and families in America do it every day.

The Budget Control Act put discretionary spending caps in place for fiscal years 2012 through 2021 that limit the amount of money that can be spent through the annual appropriations process. The Congressional Budget Office (CBO) estimated that this reduced federal spending by \$917 billion over the next 10 years. The legislation also includes an additional \$1.2 trillion in automatic spending reductions over the next 10 years for a total of at least \$2.1 trillion in deficit reduction.

These spending reductions are an important step, but they are just one step—and no one should underestimate how difficult the next steps will be. The spending cuts in the Budget Control Act do almost nothing to restructure Medicare and Social Security so that seniors and future generations can count on them and taxpayers can afford them.

By 2025, every dollar of the federal government's tax revenues will go toward paying the costs of Medicare, Medicaid, Social Security, and interest on our debt. The Medicare trustees have said that within 12 years, the Medicare program will not have enough money to pay all of its hospital bills. Authorizing committees must focus on reforming entitlements, and prioritize discretionary spending to reflect the lower spending caps that will be in place through fiscal year 2021.

If we can meet the goal of getting our entitlement spending under control, we will stop crowding out other priorities and have more funding for research, education, job training, national parks, and ensuring our competitiveness as a nation.

As Ranking Member of the HELP committee, my focus will be on securing freedom—freedom for states and for local governments; freedom for individuals; freedom for businesses. In our health care system, in our public schools and our colleges and universities, in our workforce and our economy—Washington is in the way. I'd like to get Washington out of the way.

Washington's rules and regulations are often in the way of innovation. Our colleges and universities face a stack of regulations that stands higher than I am. Medical device manufacturers—whose innovations are the reason that lame people walk or sick people are cured—are today laying workers off in my state of Tennessee and in other states because Washington unaccountably decided to tax the manufacturers' revenues to pay for the President's health care law.

The federal government's mandates too often go too far and cause great economic harm—whether it's the stunning number of mandates on businesses, from minimum wage to menu-labeling, and now the health care law's penalties on top, all of which are leading employers to cut jobs and the hours that workers can work. Or Medicaid maintenance-of-effort requirements forcing states to reduce the amount they spend on higher education, causing tuition prices at public universities to skyrocket. Insurance premiums are rising, colleges are cutting professors' hours, students are picketing on campuses—all because of Washington mandates.

Health

Health Care Reform

The Supreme Court may have failed to declare the entire health-care law unconstitutional, but I still believe it is an historic mistake that is expanding a health-care system we already knew was too expensive and not doing enough to reduce costs. Congress should repeal the law and then proceed step by step to reduce the cost of health care so more Americans can afford to buy insurance.

The health care law's supporters insisted the legislation would lower health care premiums. The President, in fact, promised his health care plan would lower individual premiums—not reduce the rate of growth, but actually lower them—by \$2,500 per family by the end of his first term.

But nearly four years later, health insurance premiums are increasing for working families across America. Last September, a Kaiser Family Foundation report found that premiums for families had risen by \$672 in the past year, and by \$2,370 since January 2009. In 2009, the Congressional Budget Office projected that costs would rise by \$2,100 for families purchasing their own insurance. When health insurance premiums go up, American families have less money to buy groceries, pay for gas, or put money aside for college.

The cost of health insurance will head even higher in 2014, when the parts of the president's plan most likely to send premiums soaring go into effect.

The law requires individuals and employers to buy a federally mandated level of coverage and benefits—regardless of whether they are needed or affordable. For many, the cost of simply complying with this mandate will necessarily lead to higher premiums. The federal government not only decides what the benefits are, it also decides whether employers are offering “affordable coverage” and, if not, they have to pay a hefty fine.

The law's so-called “grandfathering” provision, which is intended to allow individuals to keep their existing insurance plans, is likely to give very few people that opportunity, leaving the rest to pay the higher premiums forecasted for the new mandated level of coverage. A May 2012 study published in the journal *Health Affairs* concluded that nearly half of all policies currently being sold in the individual market would fail to meet the standards for health insurance under the new health care law.

While the subsidies will help some individuals and families pay for coverage, subsidies do nothing to bring down the cost of that coverage in the first place and, more than likely will have the opposite effect. When the law drives up the cost of coverage, the federal subsidies will need to increase as well or individuals will end up paying more. As is the case with most new federal entitlements, many of us believe that the cost of the premiums and subsidies has been wildly understated.

The law will raise costs on younger and healthier people – the very people needed to make the insurance risk pools work. In seeking to lower costs for older individuals with higher health care costs, the health care law requires younger and healthier people to purchase a more expensive insurance plan than they otherwise would do so and to subsidize premiums for those who are older and less healthy. Experience from the states shows that forcing younger people to subsidize premiums for older individuals ends up driving up costs for everybody, including the very people it was designed to help.

The law will also increase costs through a new tax on health insurance premiums. Starting in 2014, health insurance companies will be forced to pay an \$87 billion “excise” tax. This will inevitably be passed on to consumers. By one estimate, nearly 90 percent of small businesses will be affected by the new premium tax, and according to a former director of the Congressional Budget Office, family coverage could go up by as much as \$500 per year. Those estimates don't include the cost increases expected from the law's new taxes on pharmaceuticals and medical devices.

The National Federation of Independent Business says: “This new tax will be almost entirely passed from insurers to small businesses and their employees, raising health care costs and increasing economic uncertainty....” At a time of rising unemployment and lackluster growth, small businesses are warning that the health care law will lead to higher costs and more uncertainty.

Businesses are already suffering because of the new health care law, and it has yet to be implemented fully. Soon after the health care law passed, I met with a number of representatives from chain restaurants, which are among the largest employers in America. Many of those companies offer some health insurance to their employees. The chief executive of Ruby Tuesday, headquartered in Tennessee, told me the cost of the health care law to his company would equal the profit of the company that year.

Another chain told me they had decreased its goal for “employees per restaurant” from 90 to 70 employees in order to comply with the cost of the health care law. This not only raises the cost of business, but it reduces employment in the United States.

Millions of Americans, because of the health care law, are going to lose their employer-sponsored insurance, and millions of Americans will not have jobs because of the costs imposed on businesses such as these restaurants.

The excise taxes on revenues for medical devices, drugs, and insurance also will raise premiums for patients and destroy jobs. In the fast-growing and life-saving medical device industry, one study has estimated that as many as 43,000 jobs could be lost due to this tax – including as many as 1,000 jobs in Tennessee alone.

Throwing trillions of dollars in taxpayer money at a medical system that is already the costliest in the world will not make health care more affordable. Adding new federal mandates and new federal taxes will only drive up the cost of coverage. Washington micromanaging health care benefits for 300 million people is no way to bring down costs.

Food and Drug Administration (FDA)

The 112th Congress enacted the Food and Drug Administration Safety and Innovation Act (FDASIA), which will increase demand on FDA resources and staff. However, FDASIA includes increased industry user fees to assist with the increase in demand. FDASIA reauthorized the medical device and pharmaceutical user fees, authorized a generic drug and biosimilar user fee, increased the security of the supply chain of drugs from overseas, aimed to improve the regulation of medical devices, addressed the FDA’s role in drug shortages, and worked to improve the incentives for the development of new antibiotics and drugs for pediatric populations.

This Congress will consider reauthorizing two more user fee agreements that fund the animal drug review process. In these agreements, manufacturers pay FDA certain agreed-upon fees in exchange for receiving more timely and predictable review of their products. Further, in the wake of the tragic meningitis outbreak last fall due to contaminated products from a

compounding pharmacy, the HELP committee will prepare legislation to clarify FDA's authority over these products and facilities. Lastly, the tracing of drugs from the manufacturer to the pharmacy continues to be a policy priority. Currently, no uniform system exists to serialize and track pharmaceuticals from the manufacturer, to the wholesale, and finally to the pharmacy.

Congress also will be following the impact of sequestration on the user fee agreement programs reauthorized in FDASIA. Industry still pays the full amount of fees, but FDA cannot spend that money and therefore will miss their agreed to timelines for review of applications. The money also cannot go for deficit reduction purposes.

Electronic Health Records

Electronic health records promise to help increase the quality of health care in the United States through better provider coordination, and decrease the cost of health care across the country by reducing duplicative care and medical errors. If coupled with strong privacy protections for patients, electronic health records will be a must for all Americans.

Unfortunately, the implementation of electronic health records by the U.S. Department of Health and Human Services (HHS) has fallen short. HHS continues to spend from the Medicare trust fund the \$35 billion provided by President's Obama's failed stimulus for electronic health records, yet funding recipients are not meeting the law's goal of interoperable, data-rich records. The financial incentives and penalties meant to achieve a true national network for electronic health records have proven to be a poor approach. HHS has lowered expectations for the programs. Our country is more than \$16 trillion in debt. We should not be paying for electronic health records for providers, especially if we are not able to realize the real promise of electronic health records accessible across the country.

Older Americans Act (OAA)

The last reauthorization for the OAA was in 2006. The legislation expired at the start of fiscal year 2012. Although we don't have the President's FY2014 budget request yet, the FY2013 budget request proposed that the Senior Community Service Employment Program be transferred from the Department of Labor to the Department of Health and Human Services. The unemployment rate for people over age 55 is 6% according to the Bureau of Labor Statistics, and therefore we must be sure our limited resources for this job program are used effectively. Moving the administration of this program would be a significant change and is best considered as part of the reauthorization process.

Public Health Preparedness

Activities authorized by the Pandemic and All-Hazards Preparedness Act should receive sufficient funding to enhance our nation's ability to prepare for and respond to public health emergencies. The committee has been working to reauthorize key authorities in this Act.

Fighting AIDS Domestically and Abroad

American investments continue to have tremendous impact in providing millions of men, women, and children with life-saving antiretroviral treatment, particularly in countries in sub-Saharan Africa, through the President's Emergency Plan for AIDS Relief (PEPFAR). Midway through 2011, PEPFAR supported treatment for more than 4.5 million people. It's important to continue these efforts with an appropriate level of investment to solidify our commitment to the global fight against HIV/AIDS.

Further, the Ryan White HIV/AIDS Program provides federal funds to assist states and metropolitan areas with the costs of healthcare and support services for people affected by HIV. Specifically, the AIDS Drug Assistance Program provides access to lifesaving HIV/AIDS medications. I support appropriate funding levels for this program while the HELP committee assesses the program's interaction with the health reform law.

Mental Health and Substance Use Disorders

The importance of mental health and substance use disorder prevention and treatment has become increasingly apparent over the past year. Reports that 11.5 million people over age 18 had a serious mental illness in 2011 are alarming. Further, the National Institute of Mental Health conducted a study of more than 10,000 teens ages 13 to 18 and found a fifth of them reported they suffered from a mental disorder with symptoms that impaired day to day life and 11 percent reported being severely impaired by a mood disorder. Several agencies within the Department of Health and Human Services provide assistance to states and other organizations for prevention and treatment services. The Substance Abuse and Mental Health Services Administration helps by providing funds to states for these services in the block grants it administers, as well as other grants and agreements. I support appropriate funding levels at SAMHSA and for other applicable programs within the Department.

Biomedical Research

The National Institutes of Health is a leader in biomedical research by conducting and supporting research on the causes, diagnosis, prevention, and cure of human diseases and in the understanding of mental, addictive, and physical disorders. I support appropriate funding levels to continue NIH's research mission in these areas.

Education and Workforce

No Child Left Behind

Despite the efforts of this committee to pass a bipartisan reauthorization of the Elementary and Secondary Education Act more than a year ago, Congress hasn't done its job to fix the law. Meanwhile, the U.S. Secretary of Education has granted waivers from the law to 35 states in return for those states meeting new federal mandates and conditions. This committee is expected to go back to work this year on a reauthorization of the Elementary and Secondary Education Act, which would allow the Education Secretary to step back from issuing states waivers, as we return to states the ability to make decisions about whether students and teachers are succeeding or failing.

No Child Left Behind inserted too many federal rules and regulations into matters that should have been left to communities, parents, and classroom teachers. Washington may be able to create a better environment for school improvement, but Washington cannot make local schools better; only teachers, principals, parents, and communities can.

This committee should focus on fixing No Child Left Behind in a way that will return most decisions about how to improve schools, principals and teachers back to states, local communities, and parents. The federal government can set broad goals, but the Secretary of Education should not become a national school board chairman instructing 100,000 public schools how to achieve those goals or deciding whether each of those schools and its teachers are succeeding or failing. We should continue to require the reporting of student progress so that parents, teachers and communities can know whether their students are succeeding. We must also make it easier for states and local school districts to expand the number of charter schools and school choice. Finally, we must cut through the bureaucratic thicket of federal education assistance by consolidating programs and making it easier for the states use limited federal resources to meet their unique identified needs.

Early Childhood Education

The President is calling on Congress to expand access to high-quality early education through a new federal-state partnership to provide all low- and moderate-income four-year old children with preschool, while also expanding these programs to reach additional children from middle class families and incentivizing full-day kindergarten policies. However, the federal investment in early education and child care is already significant – amounting to approximately \$27 billion in 2012 – and, according to the General Accountability Office, already supports a fragmented system of 45 different programs, many of which overlap in pursuing the same goals and serving the same populations. Instead of raising false hopes for new money and new programs that we can't afford, the committee's efforts should be focused on finding ways to streamline and consolidate existing early education programs, while also improving efficiency and expanding access for low-income children and families with the resources we have.

Individuals with Disabilities Education Act

The Individuals with Disabilities Education Act requires schools to provide special education services to meet the needs of all students, as well as requires the federal government to provide 40 percent of the national average per-pupil expenditure to assist states with the costs. We have never fulfilled this promise. We need to stop diverting our limited resources to new or untested programs and instead fulfill our commitment to fully fund the needs of students with disabilities under the law.

Higher Education Act

The Higher Education Act is set to expire at the end of 2013 and the committee must get to work on reauthorization soon. America still has almost all of the world's best universities, but their future greatness is threatened by tuition rates increasing each year at a higher rate than inflation.

too many students dropping out, and many more being left with excessive debt they cannot repay because they can't find work.

I believe that more federal regulations and mandates on higher education are the wrong approach to addressing these problems because they would undermine the autonomy and competition that drive the success of our colleges and universities success. I also believe that federal policies deserve most of the blame for why tuition rates are going up. By imposing unnecessarily duplicative and burdensome regulations, reporting requirements, and unfunded Medicaid mandates on institutions and states, colleges are being forced to pass along their higher costs to students by raising tuition rates. When Congress last reauthorized the Higher Education Act in 2008, we made the problem worse by doubling the amount of rules and regulation.

As the committee seeks to address the problems of college access, affordability, and outcomes, it should seek to minimize the costs imposed both directly and indirectly on higher education and ensure that these savings are passed along to students. The federal government must stop overcharging students who have federal loans to help pay for the healthcare law and stop imposing new Medicaid mandates on the states that drive up tuition. The committee should focus on getting rid of regulations that are driving up college costs and limiting the autonomy that is the hallmark of our system of higher education. At the same time, states and universities must play their part in looking for ways to save money and cut costs by focusing more on efficiency and results, rather than how they can fill more seats and squeeze more money out of their students.

Student Loans

In 2010, the federal government took over sole responsibility of the student loan program from more than 2,000 private banks and handed it over to the U.S. Department of Education to act as the sole banker. At the time, the administration estimated that taxpayers would save \$87 billion by this takeover. In March 2010, the Congressional Budget Office estimated the savings to be \$61 billion over 10 years. Ultimately, \$36 billion was spent on Pell grants, \$10.3 billion on debt reduction, and \$8.7 billion was spent on the president's health care law. I raised many concerns about this government takeover and made it clear that the savings were not as advertised.

In particular, I argued that we would have to borrow at least \$1 billion a year for the next five years just to support the bureaucracy. I was assured that no additional administrative costs would be needed. However, the President's budget request includes a \$131 million, or 22 percent, increase for salaries and expenses in Student Aid administration from last year. Over 10 years, this would cost us an additional \$1.3 billion. We were assured that the government-run student loan program that we were assured would have no added costs. The committee will need to fully investigate this matter to determine how those estimates and assurances went so widely off the mark.

I have significant concerns about the ability and capacity of the Department of Education to effectively manage a nearly \$1 trillion student-loan portfolio. Investigations conducted by the House Committee on Education and the Workforce last year uncovered widespread complaints

from federal student loan borrowers about poor customer service, breaches in personal security, and an ineffective loan rehabilitation process that puts borrowers' credit in jeopardy.

The federal student loan program is also overcharging students through an arbitrary system of fixed interest rates that are not pegged to any market benchmark and do not relate to market or economic forces. As a result, borrowers receive an unnecessarily large subsidy at the expense of taxpayers when market interest rates are high, but are then overcharged on their loans when market interest rates are low. At the same time, this year Congress will once again need to debate the wisdom of extending the statutory 3.4 percent interest rate set for subsidized undergraduate Stafford loans, which is costly to taxpayers and does not provide a significant benefit to low-income borrowers. The committee will need to address this issue before the July 1 deadline this year.

Pell Grants

The Pell Grant program is on an unsustainable path and is at risk of being unable to fulfill its commitment to help low-income students gain access to college. Over the last six years, program costs have more than tripled, largely due to congressionally mandated increases in the maximum allowable award. Rather than making necessary structural reforms, Congress has resorted to short-term funding patches in annual appropriations bills. While the most recent estimates by the Congressional Budget Office showed an unexpected surplus in the program, these estimates do not lessen the need for a longterm plan that will sustain the program in the future. In FY 2015, Congress will have to find an additional \$1.4 billion to maintain the program and this gap will only continue to increase, requiring \$7.2 billion in additional funding above the amount that Congress currently appropriates by 2022.

We must make necessary decisions to sustain the Pell Grant program, including eliminating required future increases in the maximum grant award, modifying eligibility standards to better focus aid on students with the greatest need, and finding additional savings through changes to the federal direct loan program, such as eliminating Stafford interest rate subsidies that are expensive, poorly targeted, and do not relate significantly to college access. These approaches were recommended by the President's Commission on Fiscal Responsibility and Reform and could generate significant savings that would be better used to help low-income students through the Pell Grant program.

Job Training

A January 2011 Government Accountability Report found that 44 of the 47 job training programs administered by the federal government "overlap with at least one other program, in that they provide at least one similar service to a similar population." Many of these programs operate under separate administrative structures, resulting in unnecessary overhead costs and inefficiencies and limited data exists to demonstrate that these training programs are actually effective in improving the chance that a worker will find and keep a job.

The Workforce Investment Act is more than a decade overdue for reauthorization. Congress needs to fix the law so that our job training programs better serve those in need and taxpayers no

longer have to foot the bill for programs that aren't producing outcomes. This includes consolidating duplicative programs, improving accountability and transparency through common performance measures across all programs, requiring independent evaluations of programs on a regular basis, providing greater flexibility to states and governors to allocate resources and structure their workforce systems in ways that best meet their economic needs, and eliminating bureaucratic and regulatory burdens that produce unnecessary and costly inefficiencies.

Labor

Employment Growth

This committee's primary labor focus is on the laws and regulation relating to employment, but it is important that we consider the effect of every new rule and regulation on the job market, particularly given the failure of this Administration to encourage job creation. The official unemployment rate remains unacceptably high at 7.9 percent, while the more accurate unemployment measure that includes discouraged workers who want to work and those working part time because they cannot find full time work is 14.4 percent. To support the unemployed during this long period of joblessness, 23 states have had to borrow more than \$28 billion from the Federal Unemployment Trust Fund. In order to pay back these loans, states are being forced to increase payroll taxes and the taxable wage base -- only further hindering new job creation. This committee should be taking action to encourage job growth by studying successful strategies and reporting out bills that remove barriers to job creation and get rid of regulations that throw a big wet blanket on the private sector.

Davis-Bacon and other Federal Construction Issues

One way to encourage job growth would be to end wasteful and discriminatory government spending under the Davis-Bacon Act. Davis-Bacon requires federal contractors and subcontractors to pay employees a prevailing wage determined by the Department of Labor from a voluntary, craft-specific local area wage survey. The law has already been extended to more than 60 federal statutes which provide construction funding. The American Recovery and Reinvestment Act extended prevailing wage requirements to every project contracted and subcontracted under the bill, slowing down much of the stimulus spending. This unwarranted expansion continues in spite of a 2004 Inspector General Report that found multiple errors in the Davis Bacon wage survey data and called into question the statistical integrity and methodology of the determination process. Moreover, there is a growing body of evidence, and an increasing public awareness that Davis-Bacon artificially inflates the costs of federal and federally assisted construction projects, and creates barriers to participation for small and minority-owned businesses. These artificially inflated costs mean that taxpayers are receiving far less for their tax dollars than they would in a true market-based system. This waste of federal dollars also means that these projects are employing fewer workers in the construction industry than they otherwise would. At a bare minimum, the methodology for determining prevailing rates should be immediately changed to a system that ensures statistical and mathematical integrity and accuracy. Beyond this, the committee should cease any further expansion of Davis-Bacon mandates and undertake a thorough review of the increasing body of evidence that it artificially inflates government costs and reduces employment opportunities.

I am equally concerned about the Administration's policy of requiring private contractors to bind themselves to pre-hire union contracts, or so-called "project labor agreements." Once again, this policy discriminates against small and local and minority contractors and needlessly drives up the costs of federal construction for U.S. taxpayers

Limiting Unfunded Mandates on Employers

Any proposals that increase the cost of employing workers will only worsen the current employment environment. I was particularly concerned to hear the President's proposal to increase the minimum wage by 25 percent and mandate automatic future increases. Such a dramatic increase at this time would negatively impact teen unemployment, which stands at 23.4 percent and has never recovered from the last time Congress hiked the minimum wage in 2007. The situation is disproportionately worse for minority teens and those in urban areas. Another increase would further price teens and others who lack skills and work experience out of the job market. There is nothing more critical to an individual's future productivity than the skills learned from a first or entry level-job. This committee should be focused on ways to open that door for more and more Americans, not on closing it. The unpredictability of future wage increases tied to inflation will create yet another uncontrollable cost for small employers already whipsawed by growing health insurance premiums and increasing energy prices, among other costs.

Other proposals to increase employment-related litigation would also worsen the job market. The committee should be looking for ways to cut red tape and improve the environment for job creation, instead of discouraging businesses from hiring by increasing employment-related litigation, increasing liability exposure for such litigation, prohibiting dispute resolution procedures as a method for resolving workplace disputes; implementing broad definitions of "employees" that target legitimate business models using independent contractors; limiting exemptions under wage and hour laws that stifle incentive pay; increasing taxes, or increasing penalties under current employment statutes. As any of these various proposals to increase the cost of employment come before the committee or are brought to the Floor, Congress must be sure it understands the full and final cost to our workforce. I recognize the important role the Budget Committee and the Congressional Budget Office play in providing such transparency.

Preserving Individual Employee Rights

The right of workers to choose whether or not they wish to be represented by a labor organization in a government-supervised private ballot election has been a cornerstone of federal labor policy for nearly six decades, as has the right of states to choose whether or not to allow workers the freedom to join a union or not. In recent years, two additional states have chosen "Right to Work" status. Yet, these hallmarks of American industrial democracy are being threatened by proposals put forward in several recent Congresses. This is especially concerning given empirical analysis that found that the increased unionization expected from scuttling private-ballot elections in favor of "card check" would eliminate millions of jobs—increasing unemployment by 1.5 to 3 percentage points in the first year alone. It is fortunate that this

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proposal has been defeated for now, and this committee should defend individual employee rights from any similar attacks in the future. Congress must continue to protect these and other safeguards for all American workers, particularly in light of actions by the National Labor Relations Board to manipulate our labor laws to favor and even impose unionization.

Any effort aimed at preventing workers from obtaining essential financial information about the labor organizations that represent them is simply unacceptable. Employees that pay union dues are entitled to know how their money is spent, unions are obliged to report this data, and the federal government is required to collect it and make it readily available for the public. This committee should resist any attempt to eliminate or limit this kind of financial transparency for our nation's workers or weaken enforcement of the current law. A recent Department of Labor Inspector General report found that the Department does an inadequate job of detecting union malfeasance with rank-and-file members' dues money. That finding makes us even more committed to transparency.

Retirement Security

The Pension Benefit Guaranty Corporation (PBGC) insures the pension benefits of 43 million American workers and retirees. The PBGC remains a significant deficit concern. Last year, the PBGC's deficit was \$34 billion—more than \$23 billion higher than it was five years ago. The PBGC is a government corporation, but it is not backed by the full faith and credit of the United States government. A taxpayer bailout of the PBGC is not an option. The Administration needs to present us with a plan to help shore up the PBGC that does not include any taxpayer dollars.

The need for additional retirement savings is a growing concern in this country. Social Security and the current number of private savings plans will not be enough to provide adequate retirement for many Americans. However, I am concerned about talk of putting any new mandates on businesses. Small businesses are already struggling with the cost of complying with the health care law and cannot tolerate any new mandates to provide automatic savings accounts. Instead, we should explore a simple plan for voluntary savings that employers would be more likely to adopt.

Thank you for your consideration of these issues. If you have questions and are unable to reach me, please have your staff contact David Cleary, Republican Staff Director, at 202-224-9021.

Sincerely,



Lamar Alexander

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United States Senate

COMMITTEE ON
 HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
 WASHINGTON, DC 20510-6250

March 1, 2013

The Honorable Patty Murray
 Chairman
 Committee on the Budget
 624 Dirksen Senate Office Building
 Washington, DC 20510

The Honorable Jeff Sessions
 Ranking Member
 Committee on the Budget
 624 Dirksen Senate Office Building
 Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions:

Thank you for the opportunity to provide my views and estimates regarding the Fiscal Year 2014 budget as it affects matters within the purview of the Homeland Security and Governmental Affairs Committee (HSGAC). I hope that my recommendations and comments will assist you in preparing the budget resolution for Fiscal Year 2014.

Getting our nation's deficit and debt under control is critical for the well-being of our nation and economy. For quite some time, I have urged President Obama and my colleagues in Congress to reach an agreement on a balanced and comprehensive deficit reduction plan. I favor an approach along the lines of that suggested by a majority of the Bowles-Simpson Deficit Commission. As you know, the Commission proposed reducing the deficit by \$4 trillion over the next 10 years with roughly a third of that reduction coming from revenues and two-thirds coming from the spending side. While Messrs. Bowles and Simpson have recently updated their earlier recommendations, I still believe the kind of "grand bargain" approach they continue to put forward represents our best chance to bring Republicans and Democrats together because it puts everything on the table: discretionary spending, defense spending, entitlement programs, and revenues.

When I was named chairman of the Senate Committee on Homeland Security and Government Affairs (HSGAC) earlier this year, I announced that my top two priorities would be to keep our homeland secure and to find ways to get better results for less money, both at the Department of Homeland Security (the Department) and across the federal government. In the absence of a Simpson-Bowles-like grand bargain on the deficit and debt to date, the work HSGAC can do in this regard is even more important.

The recommendations in this letter reflect my goal of finding savings in the programs and initiatives under the Committee's jurisdiction either in the near-term or over time. In some areas, I have made recommendations intended to achieve immediate savings. In others, I have recommended strategic investments that have the potential to improve program effectiveness and achieve savings in the long run. In still others, I have warned against making shortsighted

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cuts that might achieve savings today but could lead to waste, inefficiency, and higher costs in the future.

In light of the fact that we do not yet know how much funding will be enacted for the remainder of Fiscal Year 2013 and have not yet received the President's 2014 Budget request, I would like to reserve the option of revisiting my views of the budget once we have received the input of the executive branch later this month.

I. DEPARTMENT OF HOMELAND SECURITY

The demands on the Department of Homeland Security to keep the American people safe are great, and the ever-changing threats we face as a nation continue to pose new and increasingly complex challenges. Short-sighted cuts now can lead to potentially big costs if a lack of resources at DHS contributes to a major incident. As a result, sufficiently resourcing the Department is critical even in the very difficult budget situation we currently face. As a result, I believe that the Department should be funded in Fiscal Year 2014 at the annualized amount under the Fiscal Year 2013 Continuing Appropriations Resolution (P.L. 112-175) plus inflation, in addition to any funding provided separately for the Disaster Relief Fund pursuant to the Budget Control Act. This funding level is necessary to support a number of critical existing and emerging operational priorities at the Department, including border security, cybersecurity and the threat of terrorist attacks, as well as to sustain vital management initiatives within the Department.

As we embrace these priorities, however, we must continue to find efficiencies and cost savings throughout the Department. The leadership team at the Department should be commended for their efforts in this regard. Their Department-wide Efficiency Review (ER), which began in 2009 – along with other cost-saving initiatives – has identified over \$4 billion in cost avoidances and reductions over four years, allowing the Department to redeploy those funds to mission-critical initiatives across the Department. These efforts must be continued where possible. I intend to use my chairmanship to ensure that they are. Working with my ranking Republican, Senator Coburn, and each of our other members, our committee will explore finding efficiencies and savings in the Department's components in areas such as the use of common aircraft, boat fleets, and weapons, and the development of common logistics management and training practices in the months ahead.

As we do that and as you formulate the Fiscal Year 2014 budget, I urge you to work diligently to ensure that we do not ignore necessary investments in the Department's personnel and facilities. We must continue to build a capable, strong workforce and maintain the facilities and infrastructure the Department will require in order to continue to successfully and cost-effectively achieve its challenging and important missions in the coming years.

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Finally, as a general matter, I also wish to call attention to the many problems that the severe funding cuts required by sequestration would cause if such cuts were applied in the Department's Fiscal Year 2014 budget. The cuts, as currently envisioned, would negatively impact the ability of the Department to effectively perform its mission and the progress we have made in improving our nation's preparedness for disasters and our ability to avoid them when possible. For example, as Secretary Napolitano recently testified before the Appropriations Committee, sequestration – if fully implemented – would demand that the Department furlough frontline law enforcement personnel for up to 14 days, hamper the progress that has been made in recent years in improving border security and disaster response, increase waits at airports and other ports of entry, and delay the development and implementation of vitally important cybersecurity infrastructure protections. We must find a better way than this to rein in our budget problems, and I have shared my views above as to what I believe that better way would include.

Because of the critical importance of a few items that will be covered in the President's Fiscal Year 2014 budget, let me discuss a few areas in more detail below.

Management of the Department: Strong department-level management is needed for the Department to ensure that its components operate cohesively and also to control the components' costs through disciplined oversight of acquisitions, information technology, human capital, and financial management. Recently, GAO issued a report noting the considerable progress that the Department has made in transforming its agencies into a single cabinet-level department. GAO cautioned, though, that "continued progress is needed in order to mitigate the risks that management weaknesses pose to mission accomplishment and the efficient and effective use of the department's resources." Better management, then, leads to better results in the Department's missions, and without strong management, the risk of wasteful spending and poor decision-making increases. I believe, then, we should adequately fund DHS's management functions.

- ***Homeland Security Department Headquarters:*** In order for the Department to fulfill its mission and create a unified culture, it is crucial that the Department's leadership and key staff from its components be brought together in consolidated and fully functioning offices at St. Elizabeths. This long-sought, refurbished headquarters is needed to bring the more than 30 disparate offices that make up the Department together. The next stage of this project, which involves moving Departmental leadership and key operational elements to St. Elizabeths, is a vitally important element of the Department's efforts to gain further efficiencies and cost savings over time. I understand that General Services Administration is exploring the use of innovative tools, such as advance appropriations or public-private partnerships, to advance the consolidation of DHS at St. Elizabeths. I applaud that approach and

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recommend that you accommodate those efforts, if at all possible, in the Budget Resolution.

Investing in a centralized DHS headquarters is also a matter of basic fiscal responsibility. As of today, the U.S. Coast Guard's new headquarters on St. Elizabeths West Campus will open on time in Fiscal Year 2013, but the rest of the project is far behind schedule due to lack of funds. These delays will lead to higher costs for the project as efficiencies are lost and fewer companies compete for contracts. The original cost estimate for the consolidation of DHS headquarters at St. Elizabeths was \$3.4 billion. DHS has indicated that continuing with the original integrated construction plan, given the level of appropriations in Fiscal Year 2011 and Fiscal Year 2012, would stretch the timeline for project completion to FY2022 and raise the estimated overall cost to \$4 billion, resulting in a cost of delay of approximately \$600 million above the original plan. Accordingly, we should continue to support this project so that the Department – and our nation – can reap the benefits of all that we have invested thus far.

- ***Office of the Inspector General:*** The Office of the Inspector General plays a critical role in helping to improve management and operations of the Department, and in particular in weeding out waste, fraud, and abuse. The Office of Inspector General has long been without a permanent Inspector General. It is critical this position is quickly filled and that we ensure that the Office receives adequate funds to support this important work.

Cybersecurity: The threats to our nation's computer networks continue to grow at a rapid pace. According to FBI Director Robert Mueller, cyber threats will equal or surpass the threat of terrorism in the foreseeable future. In addition, the President recently issued an important Executive Order to enhance the security of our critical infrastructure. Increases should be made to the National Protection and Programs Directorate's budget to ensure the Department receives funds sufficient to support effective implementation of the Executive Order. Increases should also be made to the budget for the Industrial Control Systems Cyber Emergency Response Team in order to enhance the Department's support for critical infrastructure owners and operators who are facing even more frequent and more serious cyber attacks.

The Fiscal Year 2013 Continuing Resolution included roughly \$282 million above Fiscal Year 2012 levels for a new cyber program that allows the Department to offer "continuous monitoring" software and intrusion detection systems to other agencies. This increase should be maintained. I also support the Department's effort to enhance state and local capacity to respond to cyber incidents and build the next generation of cyber professionals.

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Chemical Facility Security: The Chemical Facility Anti-terrorism Standards program is a critical effort to enhance security at facilities, some in or near densely populated areas, which make or use hazardous chemicals and could prove inviting targets for terrorists. While much work still needs to be done to improve the program, good progress is now being made, and it is imperative that we keep this program moving forward with adequate funding. To the extent that problems continue to exist, they must be fixed and not allowed to become an excuse for slowing or undermining a vital program that truly has improved our security.

Border Security and Immigration: In Fiscal Year 2013, Customs and Border Protection (CBP) is projected, barring any cuts made through sequestration, to receive an annualized appropriated amount of \$10.21 billion, a 0.49 percent increase over the Fiscal Year 2012 enacted level of \$10.16 billion. As the Administration works with Congress to reform our immigration laws, CBP's role in securing our nation's borders and the investments that have been made to date in border security will be closely scrutinized. The Fiscal Year 2014 budget must ensure that CBP is working effectively and efficiently to secure the border, while also providing the agency with sufficient resources to carry out the mission Congress has given it.

CBP's Fiscal Year 2013 appropriations included sufficient funding to deploy 21,370 Border Patrol agents and 21,186 CBP officers at the ports of entry. In order to maintain and build on the progress that has been made in securing our borders through the deployment of these personnel, we should provide the funding necessary in Fiscal Year 2014 to maintain this level for the Border Patrol, which is required by law. It is worth noting, however, that the number of Border Patrol agents has doubled since 2004, while the number of CBP officers at ports of entry has remained basically static despite long wait times for travelers and trade at the border and growing threats at our ports of entry. Businesses and local officials along the border often complain that long wait times at the border are adversely affecting trade and commerce. I believe that we need to find the resources necessary - including, perhaps, by finding efficiencies elsewhere within CBP - to increase the number of officers working at our ports of entry. This would support the President's initiatives on immigration, travel, and trade and create new jobs by facilitating commerce.

Finally, while attempts to cross the border illegally today are 50 percent lower than in Fiscal Year 2008 and 78 percent lower than their peak in Fiscal Year 2000, I am concerned that - despite considerable effort - CBP has not yet fully developed appropriate outcome measures that clearly show the impact of the investments that have been made to achieve these laudable results. As a result of this, CBP also may not be able to accurately determine where along our borders additional investments may be needed. CBP should provide Congress and the public with the best possible measure of the overall flow of individuals attempting to cross the border illegally. Effective air and land based surveillance systems can help CBP in achieving this important goal, as well as serving as a valuable force-multiplier that allows the Border Patrol to more effectively deploy its agents to arrest illegal border crossers.

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CBP has made substantial investments in technology to support the Border Patrol, including Unmanned Aerial Systems (UAS) and integrated fixed towers to surveil the border. However, during a recent trip to Arizona I was disappointed to learn that CBP currently does not have the resources to fly all of the UAS's that it has. We need to correct this oversight. CBP also noted that it needs additional resources to invest in cheaper air assets that can be used more flexibly, including fixed wing aircraft that are easy to operate and maintain. We should continue to support CBP's efforts to deploy a variety of surveillance assets, and we should explore whether other alternatives to secure the border, such as the Tethered Aerostat Radar Systems and other aerostats, can play a role in helping to secure the border.

Lastly, I believe that CBP should explore whether it can gain some operating efficiencies by cross training a limited number of Border Patrol agents and port of entry inspectors.

Ports of Entry: I applaud CBP's efforts to undertake modernization initiatives that will improve its processes for facilitating the legitimate movement of passengers and cargo across the border. I also welcome the opportunity to work with the Administration to foster public private partnerships along the border, including the proposal last year to provide CBP with the authority to enter into reimbursable fee agreements with private sector entities to provide expanded operations at certain locations. I recommend that the Budget Resolution enable the development and implementation of creative proposals like this that have the potential to bring additional staffing and other resources to the ports of entry. This could include an examination of whether the fees CBP collects need to be modernized.

Additionally, much of our nation's existing ports of entry infrastructure is significantly out of date, which led to the inclusion of \$400 million in funding to modernize ports of entry in the American Recovery and Reinvestment Act (P.L. 111-5). While this funding was a good first step, it merely represents a down-payment on the long list of needs at our aging ports of entry. For this reason, I recommend that the Budget Resolution maintain last year's levels for construction at CBP and support investments in technology to improve processing at air and land ports of entry. In addition, we should maintain a robust trade enforcement group within CBP and continue to find ways to improve the collection of revenue raised through fines, duties and fees owed the Federal government.

Immigration and Customs Enforcement: Another key aspect of our efforts to secure our borders is Immigration and Customs Enforcement's (ICE) ability to investigate and ultimately dismantle the criminal organizations that thrive by taking advantage of the vulnerabilities that exist there. To this end, it is vitally important that we maintain support for ICE at the projected Fiscal Year 2013..

We should also support – where appropriate – the Alternatives to Detention program, which not only ensures humane treatment of non-criminal aliens who pose little flight risk or threat to public safety, but also saves the taxpayers tens of millions of dollars by reducing the need to

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house these individuals at ICE detention centers. It is also worth examining whether expanding this program will allow ICE to reduce the number of expensive detention beds it must maintain.

Finally, in order to better protect American ingenuity and intellectual property, we should support strong commercial trade fraud investigations at ICE, including the international components to this mission. We should also support investigations into human trafficking violations and the Human Smuggling and Trafficking Center, which was established by Section 7202 of the Immigration Reform and Terrorism Prevention Act in order to serve as a focal point for interagency efforts to integrate and disseminate intelligence related to the smuggling and trafficking of persons.

FEMA Operations: After the failed response to Hurricane Katrina, the Post-Katrina Emergency Management Reform Act of 2006 (the Post-Katrina Act) created a new FEMA that would, for the first time, be equipped to mitigate against, prepare for, respond to, and recover from a true catastrophe. In the first few years after the Post-Katrina Act's passage, FEMA received much needed increases in resources that were essential in implementing key provisions of the Post-Katrina Act. However, implementation of the Act remains incomplete and, in recent years, appropriations for FEMA's operations have been essentially flat or have decreased. Recent work by the Department's OIG and GAO has shown that FEMA faces serious management challenges, partially due to a lack of resources. Any further cuts to FEMA's management functions will likely impede the agency's ability to successfully conduct its front-line mission and prevent waste and fraud – something that is becoming ever more burdensome in light of the extreme weather we have experienced in the last several years. We should at the very least keep FEMA funding at the annualized amount under the Fiscal Year 2013 Continuing Resolution, plus inflation. This will help ensure that FEMA can effectively manage disasters and continue to build the capabilities it so painfully lacked during Hurricane Katrina.

- **Pre-Disaster Mitigation Fund (PDM):** Last year, the President did not seek new funding for the Predisaster Mitigation Program – a program that has been valuable in reducing future disaster costs. Indeed, a 2007 Congressional Budget Office study (CBO) found that future losses are reduced by \$3 for each \$1 spent on mitigation efforts. Given the vital importance of mitigation – especially in light of climate change which is requiring us to be even more resilient – we should continue to fund the Predisaster Mitigation Program.
- **Homeland Security and First Responder Grants:** Homeland security grants in most cases provide essential funding assistance to state and local governments to prevent, prepare for, and respond to acts of terrorism and natural disasters. It is important for FEMA to continue its efforts to improve accountability and draw down unexpended

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balances and to begin to examine the appropriate role for the federal government in helping grant recipients prepare for natural and man-made disasters given the fiscal constraints we currently face. That said, grants have been successful in helping to build our national capabilities and strengthen our nation's preparedness. It is vitally important that we maintain the level of preparedness we have built over the last ten years.

In 2011 and 2012, grants saw substantial cuts - falling by 20 percent in 2011 and by another 24 percent in 2012, respectively. We should fund these vital programs in FY 2014 at a level that is adequate to help recipients achieve the preparedness goals established by the Department. Additionally, in last year's budget the President proposed major changes to the current statutory framework for grants which involved consolidating several of the existing grant programs and replacing them with a single grant program called the National Preparedness Grant Program. Given the decline in grant funding over the last few years, some consolidation of existing programs may need to be considered, but changes should only be made through authorizing legislation after full Congressional debate.

Transportation Security Administration: In Fiscal Year 2003 the Transportation Security Administration (TSA) received \$4.6 billion to protect aviation and surface transportation systems. When Congress created TSA, it also authorized the collection of an Aviation Security Passenger Fee, which allows TSA to collect a modest fee from passengers to help offset some of the agency's costs. Since those early years, terrorists have continued to probe or attack our transportation systems. In 2006, British authorities uncovered a plot to detonate liquid explosives on flights to the United States. On Christmas Day, 2009, Umar Farouk Abdulmutallab attempted to detonate explosives he had concealed under his clothing, while on a flight from Amsterdam to Detroit. In October 2010, members of al Qaeda in the Arabian Peninsula expertly concealed explosives in air cargo packages bound for the United States. In each of these cases, and others, TSA has worked quickly and effectively to counter the evolving threat and keep our domestic and international travel and trade systems operating. However, while Congress has recognized the need to provide additional funding to counter these threats and increased TSA's budget to more than \$7 billion annually, the Aviation Security Passenger Fee has remained unchanged, and has not even been adjusted for inflation over the last ten years. I believe the proposal the Department has included in its budget in each of the past few years to restructure and modestly increase this fee is necessary. It would, according to the Department's estimates, provide an additional, and much needed, \$25.5 billion for aviation security over the next ten years. The new fee proposal, \$5 per one-way trip, would still be relatively inexpensive compared to the average price of a one-way ticket, which is just over \$200. However, we should make it clear that these additional funds must be used exclusively to pay for aviation security programs and improvements, such as personnel, technology, research, and infrastructure that has the potential to improve the traveling public's experience at airports and potentially cut the cost of carrying out TSA's mission over time. In

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doing so, we can reduce DHS's overall need for appropriated funds and thereby contribute to deficit reduction.

In addition to aviation security, it is equally important that we adequately invest in the protection of our rail and transit networks. The attacks we have seen over the years in Madrid, London, and Mumbai make it all too clear that terrorists see rail and transit systems as convenient and inviting targets. It is imperative that the Department and TSA in particular, have the resources necessary to work with Amtrak and local rail and transit providers to ensure the safety and security of their passengers.

United States Coast Guard: The men and women of the United States Coast Guard (USCG) have made a habit out of doing more with less for years, and should be commended for their efforts. However, far too many of the agency's operational assets – its ships, helicopters and planes – are being operated long beyond their anticipated lifespan. Some aircraft and cutters, for example, are 30 or 40 years old. Maintaining these aged assets gets more expensive each year. Over the last decade, the Administration and Congress have worked together to begin recapitalizing the USCG's fleet. It is important that we remain committed to this effort. In particular, Coast Guard Commandant Bob Papp has noted that the loss of mid- and long-range mission capabilities, as older High Endurance Cutters are either decommissioned or docked for expensive repairs for extended periods, is a major concern. Therefore I would urge the Committee to ensure the Coast Guard receives adequate funding, so that the service may continue to fulfill critical environmental, safety, and homeland security missions.

Science & Technology Directorate: The work done by the Department's Science and Technology Directorate is vital to our capacity to develop counter measures and detection techniques against conventional explosives and nuclear material and to strengthen our defenses against cyber attacks and bioterrorism. In recent years, however, this Directorate has faced some critical funding challenges due to inconsistent appropriations levels for research and development that have made it difficult to effectively conduct the kind of long-term research the Directorate was created to conduct. Given the important work the Science & Technology Directorate performs, we should work to find adequate and consistent funding for the Directorate. Wisely and strategically investing in its work can help improve the Department's effectiveness and save money over time by providing the Department the information and tools it needs to make smarter acquisitions.

National Bio-Agro Defense Facility: The Department's National Bio-Agro Defense Facility, to be built in Manhattan, Kansas, will provide a research and testing facility for high-consequence zoonotic diseases, such as foot and mouth disease, which could threaten our nation's economy and health. This is a multi-year construction project and especially given the tight budget situation we face this year, we should fund this project by spreading the costs over more than one year, instead of budgeting for the entire cost in a single year, thus freeing some funds to be used for other critical purposes in the meantime.

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II. GOVERNMENTAL AFFAIRS PROGRAMS AND AGENCIES

Given the need I noted above to achieve better results for less money across the federal government, enabling more effective agency management should be a priority as we develop the Fiscal Year 2014 budget. Rooting out waste, fraud, and abuse is an important element of more effective management, and so is wiser and better-informed decision making. With the work of GAO, OMB and agency Inspectors General as our guide, we must look in a strategic way at every nook and cranny of government to ensure that agency leadership is doing the best job they can to make effective and efficient use of the resources taxpayers entrust to them. With those principles in mind, I offer the following thoughts on general governmental affairs programs and agencies for Fiscal Year 2014.

Federal Workforce: As we challenge agencies to achieve more with less, we must strive to ensure that strategic human capital management is part of the solution, and does not fall victim to short-sighted measures. We must keep in mind that nothing a federal agency undertakes can be accomplished without a capable and motivated workforce. Unfortunately, many federal workers today feel demeaned, under siege, and unappreciated. Far too often, federal workers have become a political target. In addition, GAO warned in its recent High Risk update report that the current budget and long-term fiscal pressures, together with the coming wave of retirements across the government, may produce gaps in leadership and critical knowledge and skills that could threaten the government's ability to address disaster response, national and homeland security, economic stability, and other such national priorities. This Administration, individual agencies, and Congress have taken important steps to manage the workforce more strategically and effectively, but we must do much more to enhance the government's ability to recruit and retain the critical personnel needed to meet agencies' missions. In addition, as we continue to institute the cost-saving measures that I believe are essential to our nation's fiscal future, we must do so in a way that does not unfairly target federal employees and does not undermine agencies' ability to obtain and maintain a workforce with the mix of skills, experience, and seniority that will be needed to achieve quality results over the long run.

- *Across-the-board pay increase:* Federal employees received no across-the-board pay raise in 2011 or 2012, under a pay freeze instituted by the President that is estimated to save about \$60 billion over 10 years. The Administration has recently announced that the pay freeze is set to expire at the end of March, at which time a 0.5 percent pay increase will go into effect. For 2014, the Administration has announced that the President will propose another modest increase of 1.0 percent. The Office of Management and Budget explained that this amount is substantially less than the comparable 2012 wage growth in the private sector of 1.8 percent, but that keeping the federal salary increase below the comparable increase in the private sector will save

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about \$18 billion over 10 years and is necessary because of the serious fiscal constraints faced by the federal government.

I believe it is appropriate for the President to recommend a modest across-the-board pay raise after salaries of our federal workforce have been subject to a pay freeze for over two years. It is also reasonable for the President to propose a smaller increase than was received in the private sector. His proposal, in my view, strikes a reasonable balance by establishing rates of pay for federal employees that support morale and our recruitment and retention efforts, while also paying heed to the fiscal constraints that the federal government continues to struggle with.

- *Avoid short-sighted budget measures that impose long-term workforce inefficiencies.* When agencies are successful at doing more with less, and at cutting out waste and inefficiency, the increased productivity can boost morale and make the agency an even more satisfying and attractive place to work. On the other hand, we must avoid the kinds of short-sighted measures that end up costing more in the long run. For example, I believe that it is unwise to establish rigid limits on hiring or on workforce levels. Such approaches can force agencies to rely on a less efficient mix of personnel, including more-expensive contract personnel, and have the counterproductive effect of actually raising the cost of achieving the agency's mission. Also, agencies must be allowed to continue to hire strategically so they can weather the coming wave of retirements without leaving damaging gaps in critical workforce skills. Generally, the most effective way of reducing the cost of government is to continue to focus on waste, fraud, and abuse where it exists and by otherwise increasing efficiency while identifying and avoiding actual duplication of effort and redefining missions.

Census Bureau: As you may recall, the 2010 Decennial Census was the most expensive in U.S. history, costing taxpayers approximately \$13 billion. Among the many problems the Census Bureau faced while planning for and conducting the 2010 Decennial was a lack of funding during the middle of the last decade that prevented the Bureau from completing critical research and testing that could have saved money during decennial operations. The Bureau has begun the testing and research phase for the 2020 Decennial. This work includes studying and testing the increased use of technology and providing for an Internet response option. I encourage you to provide the Bureau with sufficient funding to allow it conduct these studies so that the Bureau may better control the costs of the 2020 Census while still gathering quality and reliable data.

In addition, the House of Representatives last year voted to defund the American Community Survey, an ongoing survey conducted by the Census Bureau in order to provide demographic, social, economic, and housing data annually about a community. Data collected by the American Community Survey is used to provide information to Federal, state, and local decision makers for important decisions such as grant funding and infrastructure projects. I

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recommend that we preserve this program so that Congress and state and local lawmakers can make spending decisions based on sound data.

U.S. Postal Service: The Postal Service has continued to suffer unsustainable losses that threaten both its short-term and long-term viability. In February 2012, the Postal Service introduced its Five-Year Business Plan, which contained a number of proposals to close the significant budget gap. The plan was designed to return the Postal Service to financial stability and generate savings or new revenue totaling \$20 billion annually. The spending reductions proposed by the Postal Service in that plan and in subsequent announcements depend on a combination of measures, some of which can be undertaken by the Postal Service on its own and others which require legislation. We should accommodate the reforms required to achieve the Postal Service's goals in the Fiscal Year 2014 budget.

- *Retiree Health Prefunding Payments:* Under current law, the Postal Service is required to make annual payments intended to pre-fund retiree health costs that have been earned by its retirees. These payments – which range from \$5.5 billion to \$5.8 billion – are not related to what the Postal Service actually owes the federal government for the benefits its employees have earned. The payments have also proven unaffordable. The Postal Service has actually not paid the last two payments. I have put forward legislation – most recently S. 1789, the 21st Century Postal Service Act, in the 112th Congress – that would eliminate the existing statutory payments and replace them with a less-aggressive, 40-year amortization of the Postal Service's obligation. This proposal is consistent with how the Postal Service's pension obligations are handled under current law. In addition, S. 1789 would have allowed the Postal Service's share of its existing retirees' health care premiums, which totaled more than \$2.6 billion last year, to come out of the account in Treasury that has been set aside to receive Postal Service pre-funding payments. Combined, these proposals have the potential to cut the Postal Service's total retirees health costs – those for current and future retirees – roughly in half.
- *Federal Employees Retirement System surplus:* Other options to help the Postal Service's financial situation would be – (a) to require the Office of Personnel Management to recalculate the Postal Service's pension obligation under the Federal Employees Retirement System using assumptions based on the actual demographic profile of the postal workforce and retirees, rather demographic assumptions based on the federal workforce government-wide, and (b) to provide for the monetary value of the Postal Service's surplus under the Federal Employees Retirement System to be refunded to the Postal Service. I recommend that the Budget Resolution allow for the refund of any pension surplus the Postal Service has in order to provide it much-needed liquidity as it implements its reform plan.

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- *Postal Service Financial Relief (and Other Legislation) Reserve Fund:* I also recommend that a reserve fund be included in the Budget Resolution to accommodate the budgetary impact of possible legislation to adjust the financial requirements of the Postal Service (as discussed above) and any other legislation under consideration by HSGAC that might affect the terms and funding of certain employment benefits of Federal civilian personnel.

Real Property: Significant budget savings could be achieved through reforms of federal management of real property. The federal government owns over one million properties across the country, making it the largest property owner in the United States. However, many of these properties have been designated by federal agencies as excess or underutilized. Holding on to these assets costs taxpayers billions of dollars each year in operating and maintenance costs. In January 2003, GAO placed real property management on its list of “high risk” government activities, citing long-standing problems with: (1) excess and underutilized property; (2) deteriorating and aging facilities; (3) unreliable property data; and (4) a heavy reliance on costly leasing instead of ownership to meet new needs. Both the previous and the current Administrations have taken important steps to begin to address these problems. Unfortunately, much work remains to be done. For example, in Fiscal Year 2009, 24 federal agencies reported that they possessed more than 14,000 excess and 45,000 underutilized buildings that cost more than \$1.7 billion annually to operate. These assets have been acquired over a period of decades to help agencies fulfill their diverse missions. However, as agency programmatic needs have evolved over time, many of these assets are no longer needed. In addition, many federal agencies have reported substantial maintenance and repair backlogs. Delaying or deferring repairs often results in higher long-term costs as the value of the asset gradually diminishes over time. In the coming months, I plan to introduce legislation that would provide agencies with the vital tools necessary to assist them in disposing of unneeded assets while helping them to better manage existing space in a way that is cost-beneficial to taxpayers. Specifically, it would permanently establish a property management leadership structure within agencies and at OMB and incentivize agencies to sell unneeded property, while creating a process that would adequately address the needs of the homeless and state and local governments. I recommend that we provide agencies with the funding they need to prepare assets for disposal and allow them to use at least a portion of sales proceeds for repairs, maintenance, and other property management costs.

Efficiencies in Contract Spending: Getting better results for less money under government contracts should be an important part of controlling agency budgets. The federal government’s spending on goods and services more than doubled between Fiscal Year 2000 and Fiscal Year 2009, rising from \$205 billion to \$540 billion. The Administration has taken a number of steps to halt this unsustainable trajectory in contract spending, but more must be done to ensure that contract dollars are spent

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wisely. For example, GAO reported recently that the federal government wastes billions of dollars each year because agencies make purchases like individual, mid-sized businesses rather than as part of a unified government that fully leverages its buying power. Both the Administration and Congress must also work to rein in costs in areas of acquisition such as information technology and weapons systems, where projects routinely go over budget and fail to deliver promised performance. Agencies also should look for additional savings in management and service contracts, particularly where federal employees could perform the same tasks for less money. And finally, Congress should also guard against contractor costs offsetting – or more-than offsetting – any restrictions on or reductions in the size or cost of the federal workforce.

Transparency of Federal Spending: Although agency resources are required to collect and disclose data about agency operations, modest investments in systems to improve the transparency of federal spending will, in the long run, save taxpayers money. Transparency helps root out waste, fraud, and abuse, while also providing information that Congress and agencies need to drive better performance. Congress and the Administration should work together to expand and improve upon the level of disclosure provided for stimulus spending under the American Recovery and Reinvestment Act – an effort that was successful because it was adequately funded and received sustained leadership from the White House. Better data will help Congress make tough budget decisions, and therefore it is more important than ever that we take advantage of the technological opportunities that exist to improve transparency and accountability of federal spending.

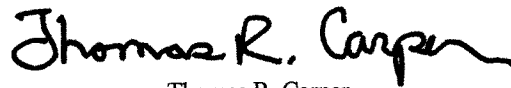
Funding and Budget Rules on Enhancing Program Integrity: I strongly support efforts by the Administration to maintain and improve program integrity efforts throughout the federal government, as well as legislation to provide additional tools to strengthen these efforts. Current federal budget challenges demand that Congress require and facilitate agency efforts to curb improper payments. The Office of Management and Budget reported that, for fiscal year 2012, federal agencies made \$108 billion in improper payments, down from \$115 billion in fiscal year 2011. This small but significant reduction shows that agencies are making progress. However, the federal government still has much work for reducing avoidable improper payments. Clearly, Congress can and should help agencies by establishing new anti-waste and fraud tools and requirements. We should provide adequate funding for these efforts in all relevant federal programs and should provide resources for particular new investments that can curb waste and fraud. We should also support initiatives by the Internal Revenue Service to collect taxes owed but not paid, which have been estimated at \$385 billion. Also, with respect to legislative initiatives that would curb improper payments or prevent fraud, current scoring rules applied by the Congressional Budget Office (CBO) often actually function as an impediment. While administrative costs for establishing proven techniques and procedures are often scored by the CBO as a “cost,” savings are often not

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counted. Language should be considered for the Budget Resolution modifying the scoring rules to allow for identifiable savings for legislation that curbs waste and fraud in federal programs, and that increases collection of unpaid taxes.

With best personal regards, I am

Sincerely yours,

A handwritten signature in black ink that reads "Thomas R. Carper". The signature is written in a cursive, flowing style with a long horizontal flourish at the end.

Thomas R. Carper
Chairman

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United States Senate

SELECT COMMITTEE ON INTELLIGENCE
 WASHINGTON, DC 20510-0475

February 19, 2013

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The Honorable Patty Murray
 Chairman
 The Honorable Jeff Sessions
 Ranking Member
 Committee on the Budget
 United States Senate
 Washington, D.C. 20510

Dear Chairman Murray and Ranking Member Sessions:

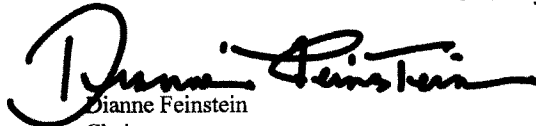
We are writing in response to your letter dated February 8, 2013, requesting a "views and estimates" report on proposed fiscal year 2014 spending for programs and activities that fall within the jurisdiction of the Senate Select Committee on Intelligence.


As required by Section 364 of the Intelligence Authorization Act for Fiscal Year 2010, the Director of National Intelligence (DNI) annually discloses to the public the aggregate amount of appropriations requested for the National Intelligence Program (NIP). To date, the DNI has not disclosed the aggregate amount of appropriations requested for the NIP for fiscal year 2014.

In addition, the budget requests for individual intelligence agencies and programs remain classified and are contained within other specified accounts, including those for the Departments of Defense, State, Treasury, Energy, Justice and Homeland Security. Submitting a "views and estimates" report that comments on component agencies and programs could potentially lead to violations of laws and regulations concerning the handling of national security information. Therefore, consistent with past practice, we respectfully decline to submit a separate "views and estimates" report for intelligence spending for fiscal year 2014.

Should you or your staff have any questions, please contact the Committee's Budget Director, Ms. Peggy Evans, at (202) 224-1700.

Sincerely,


Dianne Feinstein
Chairman


Saxby Chambliss
Vice Chairman

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United States Senate

COMMITTEE ON THE JUDICIARY
 WASHINGTON, DC 20510-6275

March 1, 2013

The Honorable Patty Murray
 Chairwoman
 Committee on the Budget
 United States Senate
 Washington, D.C. 20510

The Honorable Jeff Sessions
 Ranking Member
 Committee on the Budget
 United States Senate
 Washington, D.C. 20510

Dear Chairwoman Murray and Ranking Member Sessions:

Thank you for the opportunity to provide my views pursuant to section 301(d) of the Congressional Budget Act concerning Fiscal Year (FY) 2014 funding for programs within the Judiciary Committee's authorizing jurisdiction.

My priorities, as outlined below, show my commitment to ensure adequate resources for essential programs. I urge that these requests be given careful consideration, understanding the need to make difficult choices to reduce the deficit.

State and Federal Law Enforcement Programs and Initiatives

Violence Against Women Act VAWA – Both Houses of the 113th Congress have voted by an overwhelming majority to reauthorize the Violence Against Women Act which continues to provide important lifesaving programs to end sexual and domestic violence. The cost of intimate partner violence exceeds \$5.8 billion each year, \$4.1 of which is for direct medical and mental health care services.

Funding for VAWA's programs and services is essential in preventing violence and repairing the lives of victims. In response to fiscal realities, S.47, the Violence Against Women Reauthorization Act of 2013 as passed by the House and Senate lowers authorization and streamlines VAWA programs. I ask that you fully fund grant programs under VAWA at these reduced authorization levels, including Services, Training, Officers, Prosecutors (STOP) grants, Rural Domestic Violence and Child

Victimization Enforcement Grants, and Transitional Housing Assistance Grants, among others. Adequate funding for these programs makes a substantial difference in the lives of many abuse victims.

Fraud Enforcement – It is vital that those who commit fraud against the American people be held accountable. Aggressive fraud enforcement will ensure that those responsible for defrauding American taxpayers pay back the federal government, and their prosecution and punishment will serve as a deterrent to others. In the last few years, the Judiciary Committee has worked together to pass the Fraud Enforcement and Recovery Act and other key provisions to strengthen tools for investigators and prosecutors to detect, prosecute, and prevent financial fraud, securities fraud, mortgage fraud, health care fraud, and contracting fraud. The investigators and prosecutors who pursue these cases must have adequate resources to effectively use these important new tools.

Not only is effective fraud enforcement important to our economy and justice system, it is also a wise investment of resources. Studies have found returns of up to \$15 for every dollar spent on fraud investigations, prosecutions, and civil litigation. I ask that adequate funds be allocated to the FBI, Secret Service, Postal Inspection Service, and relevant Offices of Inspector General for investigation of fraud, as well as the Department of Justice Criminal and Civil Divisions and the United States Attorneys' Office for fraud enforcement.

Edward Byrne Justice Assistance Grants (Byrne/JAG) – As part of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (P.L.109-162) Congress streamlined JAG and the Local Law Enforcement Block Grants (LLEBG) programs into one program authorized at \$1.095 billion for fiscal years 2006 through 2012. The Byrne/JAG program provides critical funding necessary to support a range of program areas including law enforcement, prosecution and courts, crime prevention and education, corrections, drug treatment, technology improvements and other law enforcement initiatives. I ask that the Byrne/JAG program be funded as close as possible to its FY12 appropriation of \$470 million.

Bulletproof Vest Partnership (BVP) – Since its enactment in 1998 The Bulletproof Vest Partnership Grant Act has provided over \$300 million to assist State and local law enforcement agencies with the procurement of over one million ballistic-resistant body armor vests. A report released by the Government Accountability Office (GAO) in February 2012 states that available data shows that since 1987, body armor has saved the lives of more than 3,000 law enforcement officers nationwide. I request that this program be funded at its FY12 level of \$24 million to ensure this program continues to play an essential role in distributing lifesaving bulletproof vests to law enforcement officers serving on the front lines nationwide.

Regional Information Sharing System (RISS)– The RISS serves as an invaluable tool to Federal, State and local law enforcement agencies by providing much-needed criminal intelligence and investigative support services. It is one of the most effective and efficient means to combat multi-jurisdictional criminal activity, such as narcotics trafficking and gang activity. Without RISS, most

law enforcement officers would not have access to newly developed crime-fighting technologies and would be hindered in their intelligence-gathering efforts.

We must ensure that RISS can continue current services, meet increased membership support needs for terrorism investigations and prosecutions, increase intelligence analysis capabilities and add staff to support the increasing number of RISS members. The RISS operates six intelligence centers that support over 8,000 local, State, Federal, and tribal law enforcement agencies, and its membership continues to grow each year. I ask that RISS be funded at a level consistent with past appropriations.

Community Oriented Policing Services (COPS) The COPS Program, which enables local communities to substantially increase the number of law enforcement officers interacting with the community and working with schools to improve school safety, and encourages innovative crime prevention programs and new law enforcement technologies is an important resource for law enforcement agencies across the country. Since its creation in 1994, the COPS program has put more than 123,000 officers in over 13,600 communities in all 50 States, five Territories and the District of Columbia.

In recent years funding for COPS programs has been cut significantly. In FY10 COPS programs received nearly \$791 million but were cut almost 40 percent to just \$495 million in FY11 and received only \$199 million in FY12. During the economic downturn states and municipalities were forced to slash their budgets, including critical funding for police. Effective state and local law enforcement is vital to our efforts to combat crime and keep our schools and communities safe, and the need for support from the federal government is more urgent than ever. I ask that you fund the Community Oriented Policing Services Program at a level consistent with recent appropriations and not further reduce the already significantly lower funding level.

Juvenile Justice – Difficult economic times lead to fewer job opportunities, more hardship, and fewer programs for young people, all of which can lead to an increase in juvenile crime. Accordingly, prevention and treatment programs for juveniles are essential. I ask that the Title II formula grants and juvenile justice block grants as well as other juvenile justice programs receive level funding to ensure that state, local and private dollars continue to be leveraged effectively to promote public safety, prevent delinquency and protect some of our most vulnerable children and youth.

Mentally Ill Offender Treatment and Crime Reduction Act (MIOTCRA) – This initiative was signed into law in 2004 after receiving unanimous bipartisan support in Congress to address the significant problem of people with mental illness in the criminal justice system. The law has been instrumental in helping State and local governments to develop initiatives to reduce costs, improve public safety, and allow the alarmingly high number of mentally ill offenders to receive the treatment they need to return to productive lives. The MIOTCRA program is also important to our Nation's efforts to decrease crime and recidivism among mentally ill offenders. In the 110th Congress, MIOTCRA was reauthorized at \$50 million for fiscal years 2009-2014. I request that this program be funded at the FY12 level of \$9 million.

Crime Victims Fund – Since its enactment more than 20 years ago, the Victims of Crime Act (VOCA) has been the principal means by which the Federal Government has supported essential services for crime victims. Under the law, fines, forfeitures, and assessments paid by Federal criminal offenders--not taxpayers--generate the revenues used for grants to state crime victim compensation programs, direct victim assistance services and services to victims of Federal crimes. Congress intended that these funds be held in trust to carry out these important purposes.

In FY2000, Congress began limiting the amount of Crime Victims Fund deposits that could be obligated each year. This was in response to fluctuations in the Fund deposits and to ensure that a stable level of funding would remain available for these programs in future years. That same year, Congress amended the law to enforce that all receipts remain in the Fund for obligation in future fiscal years. These steps created a balance in the Fund for use in years when the deposits fell below the annual cap. I request that the Committee oppose rescissions to the Crime Victims Fund. I am concerned that in FY13 the President proposed spending money from the Fund for other purposes without taking steps to ensure the continued viability of the Fund. I request that the Committee oppose efforts to use the Crime Victims Fund to cover expenses other than those authorized for the Fund.

In 2009 Senator Grassley and I introduced the Crime Victims Fund Preservation Act of 2009 (S.1340), which have required the cap for spending for services covered by the Fund to increase each year. The bill would have set the cap on obligations from the Fund at \$1.6 billion dollars for FY14. I request the cap on obligations from the Crime Victims fund be set as high as possible to fund essential services to numerous victims' assistance and compensation programs in every State.

Second Chance Act – The Second Chance Act is a common sense, evidence-based approach to improving public safety by helping prisoners who have served their time turn their lives around. Most individuals face numerous challenges when returning to the community from prison and research indicates that more than half return to prison within three years of their release. By providing resources needed to coordinate reentry services and policies at the State and local levels, the Second Chance Act ensures that the tax dollars spent on corrections do not simply fuel a revolving door in and out of prison. The Second Chance Act programs address a wide array of issues that research has shown to improve reintegration and reduce recidivism, including education and job training, employment and housing services, substance abuse and mental health treatment, and mentoring programs. I request that the Second Chance Act programs be funded at a level consistent with recent appropriations.

Trafficking Victims Protection Act – The Trafficking Victims Protection Act (TVPA) passed in 2000 and has twice been reauthorized with widespread bipartisan support, and was reauthorized this year as a part of the Violence Against Women Reauthorization Act of 2013. It seeks to combat human trafficking, a modern-day form of slavery in which victims are forced into labor or sexual exploitation. Thanks to the tools provided by the TVPA, the United States has made progress in combating this major human rights abuse, but trafficking remains a major problem worldwide and

even here in the United States. The programs created by the TVPA help prevent trafficking and help prosecute those who engage in this atrocious offense, and provide victims the services they need to rebuild their lives. In response to economic and fiscal realities, the TVPA reauthorization greatly reduces authorization levels. We ask that programs under TVPA be fully funded at the new authorization levels which are consistent with past appropriations.

Executive Office of Immigration Review - The immigration court system is comprised of 57 immigration courts and 231 immigration judges under EOIR. In recent years, the number of immigration prosecutions has increased significantly without providing EOIR with adequate resources to deal with these increasing caseloads. While the number of cases commenced in the immigration courts grew by 23% from 231,502 in FY 1996 to 285,178 in FY 2008, the number of immigration judges has grown by less than 12.5%, with 231 immigration judges in 2010 compared to 202 immigration judges in 1998. Consequently, the immigration courts have been underfunded, understaffed and overwhelmed, factors which have led EOIR to face insurmountable challenges in providing fair and efficient immigration adjudications. The ABA estimates that in the initial year, it would cost \$18.5 million to add 100 immigration judges and an additional \$18.8 million for law clerks and other administrative staff.

Legal Orientation Program: In addition to the increase in immigration prosecutions, the number of detained adults in immigration removal proceedings has increased by over 44% between FY 2001 and 2008, growing from an annual population of 209,000 in FY 2001 to 383,524 in FY 2009, further exacerbating the burgeoning caseloads for immigration judges. Because detained cases are heard on an expedited docket, a growth in detained cases before EOIR means that immigration judges are fast-tracking more and more cases. With approximately 84% of detained immigrants appearing before the courts without legal representation, immigration judges are increasingly burdened by presiding over cases presented by individuals who are ill-informed and unprepared to make educated decisions about their cases. While not a substitute for legal representation, the adult LOP educates detained immigrants in removal proceedings about immigration law and process so that they can understand their legal options and responsibilities. According to the Vera Institute of Justice (Vera), which contracts with EOIR to manage adult LOP, the program results in significant cost savings to the government by improving the efficiency of the immigration court process and providing benefits to the immigration detention system. Vera has found that where LOP programs operate, there is an average reduction of 13 days in detention for immigrants in removal proceedings. Starting in FY 2010, LOP also provides services to custodians of unaccompanied immigrant children released from federal custody pursuant to the William Wilberforce Trafficking Victims Protections and Reauthorization Act of 2008 (TVPRA). This program seeks to educate adults about protecting children from exploitation, mistreatment and trafficking and to ensure their appearance at court hearings. I request adequate funding for the Executive Office of Immigration Review and Legal Orientation Program.

Justice For All Act

The Justice For All Act (JFAA) (Public Law 108-405) reflects years of hard work and is an important piece of legislation that has made significant strides to improve the quality of justice for all Americans by harnessing the power of DNA evidence. The Act was carefully drafted and negotiated by Congress with an eye toward creating a bipartisan scheme that addresses the rights of victims, improves forensic testing, reduces the risk of error in capital cases, and strengthens our Nation's criminal justice system.

I request funding for the Debbie Smith DNA Backlog Grant Program, as authorized in section 202 and reauthorized by the Debbie Smith Reauthorization Act of 2008 (Public Law 110-360), as well as for the Kirk Bloodsworth Post-Conviction DNA Testing Grant Program, as authorized in section 412, and the Paul Coverdell Forensic Sciences Improvement Grant Program, as expanded by Section 311 of the JFAA, at levels consistent with past appropriations. I also request sufficient funding for the victims' programs authorized in section 103, the other DNA programs authorized in sections 303-308, and the Capital Representation and Capital Prosecution Improvement Grants, as authorized in section 426.

The JFAA represents a strong bipartisan achievement and was an important step forward to improve our criminal justice system; I will seek to reauthorize it at appropriate levels. It deserves all necessary funding. I also recommend funding for needed basic research in the forensic sciences, an important priority that the Judiciary Committee will consider.

Federal Bureau of Investigation (FBI)

The Judiciary Committee will also pursue oversight of budget-related matters at the FBI. For example, the Committee will continue to examine whether the FBI has been successful in developing, training, and retaining its growing workforce of intelligence analysts. I request that the FBI be funded at a level consistent with past appropriations to continue their important efforts to investigate fraud, cyber-attacks and many other matters of national security.

United States Marshals Service

The United States Marshals Service carries out a broad range of important duties in support of the Federal Judiciary and justice system. The Marshals Service provides protection to Federal judges, transports prisoners, protects witnesses, and apprehends fugitives, among other substantial responsibilities. Recent violence against Deputy Marshals highlights the significant risks associated with the Marshals Service mission. Given the important role the Marshals Service plays in support of the Federal criminal justice system, I request funding consistent with past appropriations.

Freedom of Information Act (FOIA)

A key reform in the Open Government Act of 2007 (Public Law 110-175) is the creation of the Office of Government Information Services (OGIS) in the National Archives and Records Administration. Among other activities, OGIS mediates disputes between Federal agencies and FOIA

requestors and reviews agency compliance with FOIA. OGIS is also helping Federal agencies to better utilize technology, such as the online FOIA portals, to improve the FOIA process and access to government information. Congress provided initial funding in the 2009 Omnibus Appropriations Act to establish this critical office. Additional resources are needed in order for OGIS to meet its obligations under the OPEN Government Act. Accordingly, I recommend allocating additional funding for OGIS to secure resources, so this important office can continue to carry-out its mission.

Cybersecurity and Cybercrime

Cybersecurity and cybercrime investigations conducted by the Secret Service and the Federal Bureau of Investigations, and other federal agencies are essential to protecting our Nation's financial and telecommunications infrastructure as well as our national security. Funding is needed to support the operations of the Secret Service's Electronic Crimes Task Force (ECTF) initiative – an initiative that has attracted broad, bipartisan support from Congress since passage of the USA PATRIOT Act of 2001. Financial fraud and identity crimes committed both domestically and abroad, continue to plague our Nation's critical financial infrastructure. One of the most effective means of combating organized criminal elements and the criminal abuses of technology, both in the U.S. and abroad, is through the use of the Secret Service's ECTFs. The ECTFs are a proven, resounding success, creating groundbreaking partnerships between Federal law enforcement, their local police and prosecutorial partners, and the private sector and academia. I recommend funding for this highly successful program to continue an effective law enforcement program and training of special agents.

Funding should also be directed at electronic investigative operations. Technological advances offer domestic and transnational criminals new avenues to exploit our financial infrastructure vulnerabilities. Identity crime, credit card fraud and bank fraud are now being routinely committed on the Internet. Through its investigations, federal law enforcement identifies systemic weaknesses in the financial, telecommunications, and other critical infrastructures. The information gathered will provide private industry and the public the ability to identify vulnerabilities and prevent or minimize future attacks.

Funding should also be directed at electronic investigative operations involving data breaches and the theft of sensitive personal data contained on government and private sector computers. Identity theft, one of the most common forms of cybercrime, is also major concern among State and local law enforcement agencies. I recommend allocating funding to initiatives aimed at fighting cybercrime and improving cybersecurity, including those by the electronic crimes task forces of the United States Secret Service.

U.S. Patent and Trademark Office

I urge the Committee to fully allocate fee-based funding for the United States Patent and Trademark Office (PTO). Congress recently enacted the Leahy-Smith America Invents Act, P.L. 112-29, which

creates a Patent and Trademark Fee Reserve Fund, into which are deposited any fees collected in excess of the appropriated amount. Full funding for the PTO, including access to these fees, are essential to the PTO's effective implementation of P.L. 112-29 and continuing to work through the overwhelming backlog of patent applications. I urge full access to the PTO of the fees it collects, including those deposited in the Reserve Fund.

Copyright Royalty Board (CRB) and the Copyright Royalty Judges

The Copyright Board (CRB) adjudicates the royalty rates for compulsory licenses under the Copyright Act, conducting proceedings that, for example, set rates to be paid by entities ranging from cable companies to webcasters for their use of copyrighted content as they deliver video and music programming. The CRB is also involved in adjudicating disputes about how these payments are distributed to copyright holders.

Because the benefits of compulsory licensing flow almost exclusively to the licensees and the public, I believe the cost of administering the licenses should not be paid exclusively by the copyright holders. The law creating the CRB made clear that funding was to be made out of public funds and not out of the Copyright Office account (17 U.S.C. 803(e)(1)(B)). Thus, to implement that provision, I urge that the CRB receive adequate funding in FY 2014 in order to permit this important work to be accomplished.

Intellectual Property Enforcement Funding

Industries based on intellectual property (IP) account for more than \$5 trillion of the U.S. gross domestic product, drive more than half of U.S. exports, and employ over 18 million Americans. I support strong funding for initiatives aimed at fighting intellectual property theft, particularly those undertaken by the Department of Justice for intellectual property rights enforcement. Public Law 110-403 authorized additional funding for grants to eligible State or local law enforcement entities to combat intellectual property theft and infringement crimes; authorized funding to hire ten additional agents at the FBI designated to support Computer Crime and Intellectual Property Section, ensure all Computer Hacking and Intellectual Property Crime Units are supported by at least one FBI agent, ensure all Computer Hacking and Intellectual Property Crime Units are assigned at least two Assistant United States Attorneys and provide appropriate training; and authorized additional funding for the FBI and the Criminal Division to hire and train law enforcement officers and to procure advanced tools for investigating high tech crimes. I urge the Committee to take into account these authorizations and priorities for these enforcement programs that will benefit our economy.

Public Law 110-403 also elevated the intergovernmental coordination of intellectual property enforcement efforts within the administration from the Department of Commerce to the White House with the creation of the Intellectual Property Enforcement Coordinator. The Coordinator chairs a council of representatives from every Department and agency that actively participates in the enforcement of intellectual property. The Coordinator needs a budget and staff to be effective.

The Federal Judiciary

The Federal Judiciary plays an essential role in our Federal system. The Federal courts exercise no control over the number of cases filed, and must meet changing law enforcement and economic demands, such as increased bankruptcy filings and enhanced immigration enforcement. I request that the Committee keep in mind the evolving and increasing demands on the Federal courts when considering the Federal Judiciary's requested appropriation.

Court Security Improvement Act - In addition to general funding for the operation of the Federal Judiciary, I also emphasize the need for strong security for our courthouses, judges, and court personnel. In 2008, the Court Security Improvement Act (P.L. 110-177) was enacted into law. This law demonstrates Congress's strong support for the safety and security of the Nation's court personnel. I support funding for Court Security Improvements consistent with past appropriations.

Thank you again for soliciting these views and estimates for FY 2014. I look forward to working closely with you on this and other issues.

Sincerely,



PATRICK LEAHY
Chairman

MARIA CANTWELL, WASHINGTON, CHAIRWOMAN
JOHN BARRASSO, WYOMING, VICE CHAIRMAN

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United States Senate

COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510-6450

March 7, 2013

The Honorable Patty Murray
Chairwoman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Jeff Sessions
Ranking Member
Committee on Budget
United States Senate
Washington, D.C. 20510

Dear Chairwoman Murray and Ranking Member Sessions:

This letter responds to your request for the views and estimates of the Committee on Indian Affairs. In past years, the Committee has had the benefit of reviewing the Administration's Budget proposal as it prepared the Committee's views and estimates letter for the Budget Committee. This year, because the delivery of the Administration's Budget to Congress is delayed, we do not have that document as we seek to assist the Budget Committee in preparing its FY 2014 Budget Resolution. Nevertheless, we appreciate the opportunity to express these views as the Budget Committee prepares the FY 2014 Budget Resolution.

INTRODUCTION AND BACKGROUND

The Committee is well aware of the budgetary issues facing our Nation as a whole and Indian country in particular. The Committee will exercise its oversight and legislative responsibilities to ensure that the agencies and programs within its jurisdiction achieve the greatest possible efficiencies and savings in their use of federal resources.

As the Budget Committee moves forward with its Budget Resolution, it is important that the Committee be guided by the fact that the United States owes a unique legal obligation and trust responsibility to 566 federally recognized tribes based on the Constitution, treaties, federal laws, and Supreme Court decisions. Indian tribes and their members have a relationship to and with the United States that has no counterpart among other governments and communities in the United States. The obligations to tribes and Indian people arise in part from cessions of hundreds of millions of acres of tribal homelands to the United States in exchange for promises to maintain public safety, protect tribal sovereignty and provide a variety of programs and services. This solemn obligation is carried out through the many federal programs operated throughout the federal government, which, when not properly funded, result in a diminution of the federal trust responsibility.

In addition to the unique legal and treaty obligations, the United States has long maintained a government-to-government relationship with Tribes. This relationship guides the process and substance of interaction between the federal government, its agencies and the Nation's federally recognized Tribes. As a result, a number of agencies provide funding to tribes due in part to their status as governments. Just as federal programs supplement state and local government efforts, many federal agencies work with tribes to support tribal government services and programs.

The United States' federal policy on Indian affairs has shifted course several times between the formation of the Union and approximately 1970. In 1970, the Administration signaled the formal repudiation of the policy that sought to terminate the status of Tribes as governments, to a new policy supporting tribal self-determination. That policy has remained consistent for more than 40 years. Tribal self-determination seeks to strengthen tribal governments and tribal economic self-sufficiency.

Nevertheless, despite significant gains over the past forty years, tremendous disparities continue to exist in a wide variety of socioeconomic indicators between American Indian and Alaska Native people and the overall U.S. population, with American Indian and Alaska Native people ranking well below the national average in measures of health care, education, income, housing, and public safety. Furthermore, basic infrastructure, including clean drinking water, safe roads, telecommunications, is either woefully inadequate or sorely missing from many tribal communities. These disparities create serious barriers to fulfilling the Nation's Constitutional, Treaty, and statutory obligations to Tribes and American Indian and Alaska Native people and inhibit or prevent meaningful economic development in their communities.

This letter sets forth recommendations for addressing some of these disparities and moving forward with Tribes as full partners, as we seek to move our Nation forward on a better and sound fiscal path.

SELF-DETERMINATION AND PROSPERITY

The overarching federal policy for more than forty years has been tribal self-determination. The cornerstone of this policy is the Indian Self-Determination and Education Assistance Act (ISDEAA). 25 U.S.C. §§ 450-et seq. The ISDEAA empowers Tribes, as a matter of choice, to assume, pursuant to a contract or self-governance compact, the operation of critical federal programs that are intended for the benefit of Tribes and American Indian and Alaska Native people, and their lands and communities.

Every Tribe in the country is a party to at least one ISDEAA contract or compact with the Indian Health Service (IHS), within the Department of Health and Human Services, and/or the Bureau of Indian Affairs (BIA), within the Department of the Interior. Pursuant to these contracts and compacts, Tribes operate public safety programs, schools, irrigation programs, health care programs, and social welfare programs. The ISDEAA has allowed for these programs to be operated in ways that better meet the needs of tribal communities.

A critical component of the Self-Determination policy is the United States' obligation to provide the full amount of funding to a tribe that the United States would have if it were to continue to operate the program, including the administrative costs associated with operating a federal program. These administrative costs, known as "Contract Support Costs," include items such as auditing, accounting, and insurance. The federal government's obligation to fully fund Contract Support Costs has been confirmed in no less than three Supreme Court decisions. See, *Cherokee v. Leavitt*, 543 U.S. 631 (2005); *Salazar v. Ramah Navajo Chapter*, 132 S.Ct. 2181 (2012) and *Arctic Slope Native Ass'n, Ltd. v. Sebelius*, 133 S.Ct. 22 (2012).

The full payment of Contract Support Costs will require an estimated \$615 million for IHS and \$242 million for the BIA for FY 2014. The Committee believes that the budget should fully accommodate the payment of these binding obligations, since (as the Supreme Court has noted) there is no basis in the law for treating tribal contractors any differently from other government contractors. The Committee also believes that both agencies must do more to promptly settle all outstanding claims for these costs from prior years.

ECONOMIC DEVELOPMENT

The Committee believes that sustainable economic development is the best pathway to healthy and vital tribal communities and will help tribes overcome many of the challenges facing Indian country. Despite recent improvements on some reservations, most tribal economies continue to suffer from a lack of revenues and high unemployment. In some places unemployment exceeds 49 percent, and typically, the poorest counties in the United States include Indian reservations.

Thus, the Committee continues to support funding for programs like the BIA Loan Guaranty Program within the BIA and the Native American Community Development Financial Institutions program (NACA Program) within the Department of Treasury. These programs are, in many cases, the only source of capital for Tribal and individual Indian economic development projects.

In addition, energy development on Tribal lands offers significant opportunities to enhance and grow tribal economies. Accordingly, the Committee supports investment in programs within both the Departments of the Interior and Energy that will encourage and support tribal capacity and project development in the area of energy development.

TRIBAL PUBLIC SAFETY AND JUSTICE PROGRAMS

The United States has distinct legal obligations to provide public safety in Indian country. The Major Crimes Act codified the United States' responsibility to investigate and prosecute most crimes committed on Indian lands. See, 18 U.S.C. §§1152, 1152. Yet, the rates of serious crime within many tribal communities are astounding. In some places it exceeds that of major metropolitan communities.

While a lack of funding may not be the only cause of the current state of public safety in Indian country, it is certainly a significant contributing factor. It is impossible to have a safe community when there may be only 1 or 2 officers patrolling land areas sometimes as large as, if not larger than some states, such as Connecticut. The Committee supports sufficient funding in both the BIA and the Department of Justice that will enhance public safety programs across Indian country. For FY 2013 the Administration proposed \$353 million for BIA public safety programs and approximately \$50 million for the Department of Justice's Tribal Justice Programs. This level of funding would at least allow the current level of public safety staffing and services to be maintained.

EDUCATION

The education achievement measurements in the critical areas of reading and math for American Indian and Alaska Native students lag far behind those of the rest of the country. Moreover, only 50 percent of American Indian and Alaska Native students graduate from high school. Thus, it is clear there are many challenges in this area. The responsibility to address these needs lies within the Departments of the Interior and Education. Nearly 90 percent of the 620,000 American Indian and Alaska Native students attend public schools, and the remaining 10 percent attend schools administered by the Department of the Interior's Bureau of Indian Education (BIE), a system of 184 K through 12 schools in 23 states.

In the area of elementary and secondary education, the Committee opposes any cuts to the BIE Individual Student Equalization Funding program, which funds the operation of the BIE K through 12 schools. These schools are responsible for educating almost 50,000 children, and do so with very limited resources, quite often in facilities in need of significant repair or replacement. The Committee also supports restoring funding to provide educational instruction to youth incarcerated in the 24 BIA-funded juvenile facilities. Further, the Committee supports funding the BIA School Construction and Repair Account to a level that is sufficient to begin addressing the ever-growing backlog in replacement school construction needs in Indian country.

In addition, the federal government is responsible for 29 tribal colleges, universities and post-secondary schools. These institutions have an enrollment of approximately 25,000 students and provide a wide array of academic and vocational instruction including business administration, fisheries management, nursing and education. These schools are the incubators for tribal communities' essential employees and service providers. The Committee supports current funding levels for these tribal colleges and universities.

HEALTH CARE SERVICES

The United States has provided health care services to American Indians and Alaska Natives, as part of an obligation under treaties, agreements and laws the United States agreed to and enacted. The IHS is the principal federal agency charged with the mission of raising the health status of American Indians and Alaska Natives. The IHS provides a comprehensive health service delivery system for approximately 1.9 million American Indians and Alaska

Natives from 566 federally recognized tribes in 35 states. This system includes 600 facilities, including 28 hospitals, 58 health centers, 31 health stations, and 34 urban health programs.

Notwithstanding this comprehensive system, American Indian and Alaska Native people continue to face devastating health disparities. American Indian and Alaska Native people have a life expectancy that is more than four years shorter than that of the general population, and the incidence and mortality rates of many illnesses are dramatically higher among American Indian and Alaska Native people. One of most tragic statistics in Indian country is that suicide is the second leading cause of death among American Indian and Alaska Native youth. This means that Indian country is unnecessarily losing a significant portion of its next generation of leaders to suicide, causing some tribal leaders to express concern that tribes' very existence is increasingly at risk with every suicide.

Studies have indicated that there may be three critical factors that impact an Indian person's health status. The first factor is the lack of access to care. The second is the lack of continuity of care from a qualified medical professional. The final factor is the lack of disease prevention and early diagnosis of many conditions.

Consequently, the Committee supports the funding of IHS's Hospital and Clinic funding, to ensure that these important health care institutions have the resources they need to treat their patients. In addition, the Committee supports funding for the Contract Health Care Program, which is the program that funds medical services when patients have to be referred outside an IHS or tribal facility. The Committee further supports efforts to recruit and retain qualified medical professionals. The turnover and low retention rates for medical professionals in Indian country are well documented. Again, it is difficult to properly treat a person if he or she is unable to see the same medical professional on a regular basis. The Committee will examine the IHS's operations and practices to identify savings and efficiencies in the delivery of these services.

Finally, the Committee fully supports efforts across the Department of Health and Human Services that will lead to disease prevention and early detection of diseases and conditions that can have devastating impacts on tribal communities and Indian families. Nowhere is the need more urgent than in the area of mental health, so that we can halt the epidemic of suicide that has plagued far too many tribal communities.

TREATY-PROTECTED NATURAL RESOURCES

The foundation of all tribal communities is their land and natural resources, which were guaranteed to tribes through numerous treaties. See, *Mille Lac Band of Chippewa Indians v. Carlson*, 526 U.S. 172 (1999), *Washington v. Wash. State Commercial Passenger Fishing Vessel Ass'n*, 443 U.S. 658 (1979); *U.S. v. Washington*, 384 F.Supp.312 (W.D. Wash), aff'd 520 F.2nd 676 (1975). The protection and enhancement of these resources are not only critical to the future of tribes; they are an obligation of the United States.

Funding for tribal natural resources programs has declined significantly over the last two decades. Moreover, the funding inequity vis-a-vis other federal land management programs is profound. For example, the per-acre funding for Forest Service lands is three times the per-acre funding for tribal forest lands, and the Department of the Interior's invasive species program is five times the per-acre funding for the BIA's invasive species program. The Committee recommends the full federal investment in those programs that support and enhance the management of treaty protected resources. This investment will boost tribal economies, ensure greater food security, and protect and revitalize cultural practices throughout the country. This investment will lead to more productive resources and contribute to the overall economy of Indian country and the surrounding communities.

Access to stable and secure water supplies has long been acknowledged as a basic component of maintaining a tribe's reservation homelands. See, *United States v. Winters*, 207 U.S. 564 (1908). Currently, there are five Bureau of Reclamation authorized drinking water projects serving eight Tribes in four states. The longer it takes to complete these projects, the higher the cost is to American taxpayers. Furthermore, there are several recent congressionally enacted water settlements that also must be funded. In this regard, the Committee is aware that the United States has continued to seek to resolve tribes' water rights throughout the west, and that each of these additional settlements will likely require a substantial investment by the federal government.

Finally, there is an estimated \$610 million in deferred maintenance for the 16 irrigation projects serving 16 reservations in 10 states. The failure to properly maintain this critical federally-owned infrastructure negatively impacts these communities that rely so heavily on agriculture as the basis of their economies.

HOUSING AND INFRASTRUCTURE

Finally, in the areas of housing and infrastructure development, the Committee plans to consider the Native American Housing and Self-Determination Assistance Act (NAHASDA) reauthorization this year. It is clear that the need for housing throughout tribal communities is significant. More than 15 percent of reservation households are over-crowded, 11 percent of American Indian and Alaska Native homes lack complete plumbing facilities, and 16 percent of American Indian and Alaska Native homes lack telephones. Finally, approximately 40 percent of on-reservation housing is considered inadequate, compared with 6 percent nationwide.

Consequently, the Committee supports maintaining the current level of NAHASDA funding, as well as maintaining the funding within Department of Agriculture for rural housing development, and the BIA Housing Improvement Program. As part of this reauthorization there are improvements to the Act that will improve program management and efficiency in the delivery of housing services, which should achieve savings in this program.

The Committee also fully supports efforts to improve tribal transportation programs. Finally, the Committee supports efforts across agencies to improve the telecommunication infrastructure in Indian country.

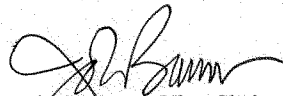
CONCLUSION

We appreciate the Budget Committee's consideration of our views on these very important programs and your efforts to ensure the United States fulfills its treaty and trust obligations to tribal governments and their members.

Sincerely,

A handwritten signature in black ink, appearing to read "Maria Cantwell". The script is fluid and cursive.

Maria Cantwell, Chairwoman

A handwritten signature in black ink, appearing to read "John Barrasso". The script is fluid and cursive.

John Barrasso, Vice-Chairman

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March 1, 2013

The Honorable Patty Murray
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions:

As Chair of the Senate Committee on Small Business and Entrepreneurship, I submit the following views and estimates for the Fiscal Year 2014 (FY14) Budget Resolution as it addresses the Small Business Administration ("SBA" or "the Agency") and other matters under the committee's jurisdiction, in compliance with section 301(d) of the *Congressional Budget Act of 1974*. I thank the Budget Committee for its past support of small business and the SBA, as well as for considering the Committee on Small Business and Entrepreneurship's views as it prepares the FY14 Budget Resolution.

The SBA helps America's nearly 28 million small businesses by providing access to critical financing, technical assistance, training, and federal contracts. With a budget authority in recent years of merely one tenth of one percent of the discretionary federal budget (see enclosure), the SBA consistently produces enormous benefit to our nation's entrepreneurs in these areas. Over the past two years, the SBA supported approximately \$60 billion in lending through its core loan programs, which were the two highest SBA lending years on record. It also has refinanced more than 2,400 small business commercial mortgages, totaling roughly \$2.3 billion in volume through the 504 commercial mortgage refinance program.

Counseling, both from the SBA and from its resource partners, aids entrepreneurs who want to create or expand a business, as well as pursue opportunities in federal contracting. Hundreds of counseling resource partners, including Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and SCORE, have helped those who lost their jobs during the recession to transition to small business ownership. In just the SBDCs, counselors worked with an average of 37 new businesses a day in FY11, which is the most recent year that data is available. No less critical are the technical assistance and training programs the SBA provides on contracting. During FY11, federal agencies awarded more than \$91.5 billion in federal contracts to small businesses. The contracting assistance the SBA provides small businesses is crucial to ensuring that amount only increases.

During the previous administration, the SBA budget was lost as much as 66 percent relative to the final year of funding under President Clinton. These devastating cuts led to a temporary, one year shutdown of SBA's largest loan guarantee program, and later led to fee increases on small businesses and lenders. Since President Obama took office, he has consistently demonstrated his support of our entrepreneurs and small business owners by submitting strong and fiscally responsible requests for the SBA, and I look forward to reviewing his recommendations for the SBA for FY14. Until I have a chance to review those cost estimates, recommending the right budget number for the SBA is difficult.

Therefore, I do not provide an overall recommendation but instead highlight some, but by no means all, of the important work the SBA programs have done to spur our economic recovery. I hope you will use this overview as a resource and guide in making budget allocations during a time of fiscal austerity. As the Budget Committee looks for a responsible funding level, it is worth noting that even level funding for the SBA based on the FY13 budget request would be nearly 30 percent less than was requested for the SBA during FY01 once the figures are adjusted for inflation. The SBA continues to operate on a lean budget while providing small businesses in America with extensive resources. I respectfully encourage the Budget Committee to continue making reasonable and vital investments in the recovery and future success of our entrepreneurs and small businesses so necessary to our continued economic growth.

7(a) and 504 Loan Guaranty Programs:

As the SBA's primary lending program, the 7(a) loan program provides eligible small businesses with a versatile financing tool that can be used to support a wide range of business development activities, including the establishment or acquisition of a business, business expansion, the purchase of equipment, machinery, or supplies, as well as short-term and long-term working capital. This program has proven to be an important lifeline for entrepreneurs and small business owners who, through no fault of their own, have been shut out of conventional credit markets. This is particularly true for small businesses operating in underserved communities, many of whom struggle to access capital under optimal economic conditions.

Starting five years ago, defaults among 7(a) borrowers as well as conventional borrowers increased significantly. As a result, since FY08 there has been a need to provide a modest subsidy. Due to continued demand and a strong need for these loans, I believe it is critical that Congress allow the SBA to continue providing our entrepreneurs and small business owners with accessible and affordable credit and recommend support for a modest subsidy request, should analysis of current lending data deem it necessary.

The SBA's 504 loan guaranty program provides long-term, fixed-rate loans to help small businesses finance the acquisition of major fixed assets or to facilitate the expansion and modernization of a business. Since FY96, the SBA had covered the entire cost of operating the 504 loan program by charging fees to borrowers and participating lenders. However, in recent years, the fees no longer have generated sufficient revenue, and appropriations were needed to cover the cost of the program, which has risen as a direct result of the recession and the instability of the commercial real estate market. Commercial properties are a common source of collateral for many small businesses utilizing the program and are critical to maximizing the recovery of funds when a loan defaults. With the average value of commercial property down significantly since the beginning of 2007, recovery rates have declined and driven up the cost of running the program. The decline of the value of these properties has also left many small business owners with "underwater" mortgages that prevent them from expanding or that force them out of business, leading to unfortunate defaults.

In spite of these factors, the 504 program has proven to be enormously successful over the course of its lifetime and will continue to play an important role in helping small businesses that have survived the recession to once again innovate, grow, and create new jobs. Unfortunately, the 504 refinancing provision of the *Small Business Jobs Act of 2010* (P.L. 111-240) expired just as it started to be utilized effectively. A significant and increasing percentage of 504 loan volume had been these refinancings. With all of this in mind, I again ask that a modest subsidy be considered should an analysis of current lending data deem it necessary.

Microloan Program:

As previously noted, while there have been some signs that small business credit standards have begun to improve, many small businesses are still struggling to obtain financing, particularly those businesses located in underserved communities. For that reason, it is critical that Congress continue to support the SBA's Microloan program, which provides much-needed capital and technical assistance to the smallest of small businesses.

Since its implementation in 1992, the Microloan program has proven effective at reaching and serving the needs of minority, women, and rural small business owners, while incurring minimal loss to the taxpayer. SBA micro-intermediaries and non-profits that provide technical assistance to our smallest businesses continue to report that despite some improvement in the economy, demand for their services is high. In order for the SBA's microloan programs to operate effectively and continue meeting this increased demand, I request funding levels consistent with the FY13 levels passed out of the Senate Appropriations Committee last summer should an analysis of current lending data deem it necessary. This keeps microloan funding equal to recent years which is crucial given the important role they play in the economy.

Disaster Loan Account:

In addition to the SBA's mission of providing assistance to small businesses during times of economic growth and economic retraction, the Agency also provides recovery assistance to homeowners, renters, businesses, and nonprofits in the aftermath of disasters. Following Hurricanes Katrina and Rita in 2005, the Agency was criticized for a general lack of preparedness before the storms and a lack of responsiveness after the disasters. The committee recognizes that the Agency has made significant progress since 2005 in improving its disaster planning and response capabilities, both through administrative action and through expanded legislative authority provided by the *Food, Conservation and Energy Act of 2008* (P.L. 110-234) and the *Small Business Jobs Act of 2010* (P.L. 111-240). The *Disaster Relief Appropriations Act, 2013* (P.L. 113-2) signed into law on January 29, 2013 included \$520 million for disaster loan subsidy and \$249 million for administrative expenses related to servicing disaster loans. The committee notes that the following day, the SBA announced that it had surpassed \$1 billion in disaster lending as a result of Hurricane Sandy – making it the third largest disaster in U.S. history. I encourage you to ensure there is robust funding for both the subsidy and administrative accounts to ensure that recovery assistance is not impacted for victims of Hurricane Sandy or future disasters which may occur during the upcoming fiscal year.

Small Business Development Centers:

The Small Business Development Center (SBDC) program creates jobs, increases economic activity, and does so in a cost-effective manner. According to independent analyses of the program, businesses receiving counseling and technical assistance services from SBDCs experience job growth rates 17 times higher, as well as sales growth rates that are four times higher, than businesses that do not receive assistance from SBDCs. Further, according to the Association of Small Business Development Centers (ASBDC), in 2011, SBDCs helped their clients create more than \$3.1 billion in sales and attract \$3.9 billion in financing. By helping businesses to keep their doors open and retain jobs, the services provided by SBDCs provide tremendous cost-benefits to state and local governments, allowing them to save on unemployment costs which can be a significant budgetary burden.

Due to challenging economic conditions, SBDCs are continuing to experience unprecedented levels of demand. In order to meet increased demand and enable the SBDC program to continue providing the small business community with critical business counseling and technical assistance services, I respectfully request that the SBDC program be funded at \$112.5 million in FY14.

SCORE:

SCORE, originally known as the Service Corps of Retired Executives, is a non-profit association, authorized under the *Small Business Act of 1953* (P.L. 95-510), that provides one-on-one small business counseling, technical assistance, and mentorship services to small businesses and entrepreneurs throughout the country. Made up of a network of more than 13,000 volunteers, SCORE is dedicated to educating and assisting entrepreneurs and small business owners in the formation, growth, and expansion of their small businesses. According to a recent Gallup poll, SCORE's services in 2010 alone helped clients create more than 58,600 businesses and nearly 72,000 jobs, and helped small businesses to save more than 17,500 existing jobs. Additionally, the same poll stated that for every dollar appropriated to SCORE, clients paid \$548.79 on average in tax receipts back to the Treasury, a remarkable return on investment for the taxpayer.

Despite receiving a limited amount of federal funding while experiencing a significant increase in demand for its services in recent years, SCORE has continually expanded its work, a direct result of the organization's modernization and improvement of its technological and online infrastructure. However, SCORE's current resources have been stretched to the limit, and the organization is in need of additional funding. Accordingly, to enable SCORE to fulfill its mission of providing critical business counseling and mentoring services, recruit more volunteers, and continue its expansion and modernization efforts, I respectfully request that SCORE be funded at \$9.5 million in FY14.

Women's Business Centers Program:

Women-owned businesses are the fastest growing segment in the U.S. economy, growing at twice the rate of all other businesses over the past two decades. Women-owned firms account for 40 percent of the 28 million small businesses in our nation – or two of every five small businesses. These firms employ more than 13 million Americans and pump nearly \$2 trillion into the economy each year. Given the tremendous economic impact of women-owned small businesses, it is crucial that women have access to adequate technical assistance and counseling to help them address the unique challenges and obstacles that they face in starting or growing their businesses. This is especially important in economically disadvantaged and underperforming areas, as this underperformance contributes to inefficiency of the nation's overall economy.

For more than 20 years the Women's Business Center (WBC) program has successfully provided business counseling and technical assistance services to women entrepreneurs and business owners, with an emphasis on those who are socially and economically disadvantaged. Much like other SBA counseling programs, WBCs have experienced a significant increase in demand for their services from entrepreneurs hoping to establish a small business, as well as requests from existing small business owners in need of assistance as they attempt to survive a slower economy. In order to continue meeting the increasing demand for services and to ensure that women entrepreneurs, particularly women in underserved areas with limited access to other counseling programs, are receiving adequate counseling and support, I respectfully request budget authorization consistent with past funding for the program.

Federal & State Technology (FAST) Program:

One of the recommendations from the President's Council on Jobs and Competitiveness was to reauthorize the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, the federal government's largest programs for small, high-technology firms. We succeeded in meeting this goal by including a compromise version of S. 493, the *SBIR/STTR Reauthorization Act of 2011*, in H.R. 1540, the *National Defense Authorization Act for Fiscal Year 2012* (P.L. 112-81). Among the improvements to the SBIR and STTR programs in the new law is an increase in the number of awards that go to low-participation states, rural areas, and businesses owned by women and other under-served populations. To help meet that requirement, I recommend providing funding for the Federal and State Technology (FAST) program. This program was created by Congress, under former Senator Kit Bond, to strengthen the technological competitiveness of small businesses in all 50 states and to improve the geographic disbursement of SBIR and STTR awards. Some states, like California and Massachusetts, annually win a vast majority of awards, with more than 1,200 and 800 awards respectively. Even New Jersey, in the top 10 of recipients, receives almost 150 awards per year, totaling more than \$48 million in capital to its small, high-technology firms. But for states like Louisiana, Nebraska, and Idaho, small, high-technology firms win between just 10 and 20 awards per year, even though they also have talented engineers, scientists, entrepreneurs and excellent research universities. FAST has been effective in helping to recruit new firms and businesses from underserved states, while also promoting the participation of a more diverse group of companies within each program, but we have a long way to go. While recent budget requests have omitted funding for this vital program, I urge the committee to authorize \$5 million in funding for the program during FY14.

State Trade and Export Promotion (STEP) Grant Program:

International markets contain 95 percent of the world's customers and represent abundant opportunities for small businesses looking to grow. Through the *Small Business Jobs Act of 2010* (P.L. 111-240), Congress authorized and appropriated a new pilot program at the SBA called the State Trade and Export Promotion (STEP) Grant Program. Since its inception, the program has awarded more than 100 grants, injecting almost \$60 million of funding into the states to fulfill the program objectives to increase the number of small businesses that are exporting, and to increase the value of exports for those small businesses that are currently exporting. The U.S. International Trade Commission estimates that less than 4% of U.S. small businesses export, yet exporting small businesses frequently outperform their non-exporting counterparts. I request that, in order to allow out small businesses every opportunity possible to thrive internationally, the committee authorize \$30 million in the FY14 budget for the STEP program.

Contracting: 7(j) Technical Assistance:

The federal government purchases more than \$500 billion in goods and services each year. Unfortunately, the path to doing business with the federal government is often fraught with obstacles requiring specific knowledge that few small business owners possess. These obstacles are particularly difficult for minorities, women, and veterans to successfully overcome, even under the best of economic conditions. Further compounding this problem, many small business owners and entrepreneurs belonging to these segments of the small business community tend to be first-generation entrepreneurs with limited start-up capital and business expertise. The combination of these two factors creates an environment in which it is extremely difficult for many of these firms to successfully compete for and win federal contracts.

With a federal statutory goal of awarding small businesses at least 23 percent of the total value of all federal contracts, it is imperative that the SBA's technical assistance programs for contracting be adequately funded. The 7(j) Technical Assistance program provides essential training and business counseling to small disadvantaged businesses, helping to level the playing field and enabling them to more successfully compete for federal contracting opportunities.

Office of Size Standards:

The committee recognizes that current and accurate small business size standards are critical to ensuring that SBA and other government-wide programs, including contracting and lending programs, are accessible to qualified small businesses. As such, the committee incorporated aggressive review requirements in the *Small Business Jobs Act of 2010* (P.L. 111-240), requiring the SBA's Office of Size Standards to conduct a rolling, detailed review of all size standards every five years. Accordingly, continuous funding is imperative to fulfill these requirements of the *Small Business Jobs Act* and ensure that small business size standards are reviewed in a timely and transparent manner to reflect industry and economic shifts.

Women-Owned Small Business Federal Contract Program:

In 2011, the SBA announced the new Women-Owned Small Business (WOSB) Federal Contract program, which authorizes federal contracting officers to restrict competition to eligible women-owned small businesses and economically disadvantaged women-owned small businesses for federal contracts in certain industries in which women are underrepresented. The success of this new program requires the maintenance of a data repository, as well as detailed eligibility examinations and expedited processing of protests to reduce fraud, waste, and abuse. Accordingly, adequate funding is necessary to assist the SBA in maintaining the integrity of this program.

Procurement Center Representatives and Commercial Marketing Representatives:

In addition to helping small businesses compete for federal contracting opportunities through technical assistance and set-aside programs, it is critical that we ensure our small businesses are actually being awarded federal contracts. The SBA is currently the primary federal agency responsible for reviewing federal contracts awarded to small businesses, an enormous undertaking given the \$500 billion in federal contracts awarded annually throughout the United States. One way the SBA addresses this challenge is through the efforts of a small number of procurement center representatives (PCRs) and commercial marketing representatives (CMRs) assigned to procurement centers throughout the country. PCRs and CMRs are responsible for ensuring that small businesses are aware of both federal prime contracting and sub-contracting opportunities, as well as for reviewing and flagging potentially bundled federal contracts.

Unfortunately, both programs are severely understaffed and underfunded, adversely affecting the ability of PCRs and CMRs to effectively advocate on behalf of small businesses and ensure that they are winning their fair share of federal prime and sub-contracting awards. Therefore, adequate funding must be allocated to enable the SBA to hire additional PCRs and CMRs.

Office of Advocacy:

The SBA's Office of Advocacy ("Advocacy") serves as the independent "regulatory watchdog" for small businesses within the federal government, ensuring that federal agencies adhere to the requirements of the *Regulatory Flexibility Act* (P.L. 96-354) (RFA) and the *Small Business Regulatory*

Enforcement Fairness Act (P.L. 104-121) (SBREFA). The RFA and SBREFA require federal agencies to fully consider the effects of their regulatory actions on small businesses and to minimize any undue or disproportionate economic burdens they may cause. Advocacy reviews proposed and existing regulations, evaluating the impact that these rules will have on small businesses and offering recommendations for improving any proposed rules or regulations that will unduly burden small businesses. As a direct result of their work, during FY11 Advocacy saved the small business community an estimated \$11.7 billion in first-year cost savings, as well as an additional \$10.7 billion in annually recurring savings, all without undermining federal agencies' regulatory goals.

Advocacy also produces research studies on issues of key concern to entrepreneurs and small business owners. This original research provides critical information to small business stakeholders and policymakers, including Congress, and, more specifically, the Senate and House Small Business Committees. The data produced by this research serves as an important resource for Congressional hearings and as outreach to federal agencies. Moreover, this data serves as a benchmark for tracking key small business economic indicators. In light of its important and dual role, I respectfully request Advocacy receive funding consistent with the FY13 budget request level of \$8.9 million.

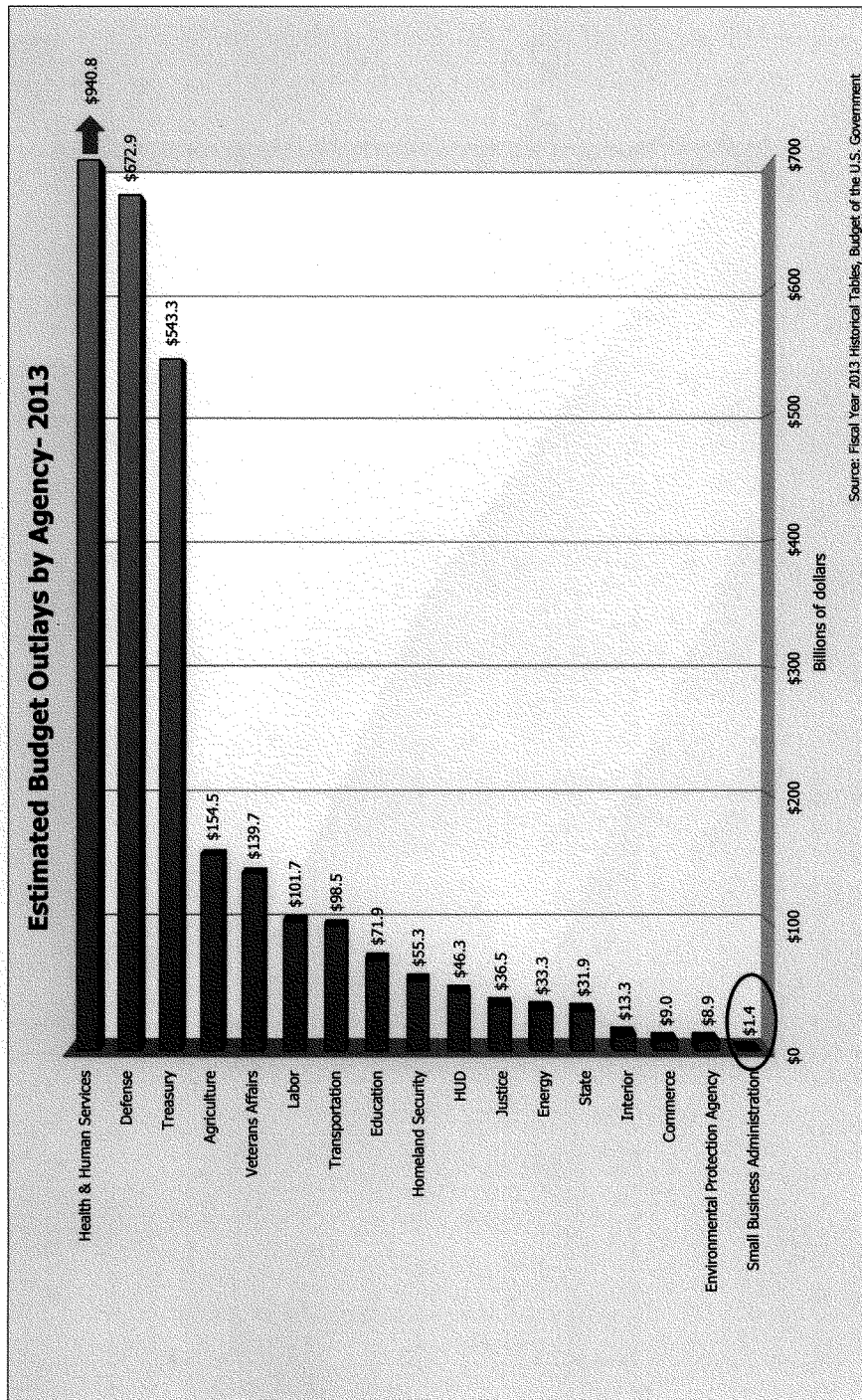
In closing, I acknowledge that you have difficult decisions to make as you develop the budget resolution, and I appreciate your consideration of my views and recommendations for the SBA. The programs I have mentioned above are just a sample of the important work the SBA does to meet the needs of our small businesses when given adequate resources. In the 504 lending program alone, for every \$2 SBA spends on the loans, \$100 is leveraged in lending, and for each federal dollar spent on SBDCs, \$2.20 is returned to the Treasury in the form of increased tax dollars. A modest investment in the SBA proves year after year an excellent value for the taxpayers. Thank you for your support of the SBA and other federal programs that assist small businesses.

Sincerely,



Mary L. Landrieu
Chair

Enclosure



MARY L. LANDRIEU, LOUISIANA, CHAIR
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United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350
TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

March 1, 2013

The Honorable Patty Murray
Chair
Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chair Murray and Ranking Member Sessions:

As Ranking Member of the Senate Committee on Small Business and Entrepreneurship, I submit the following views and estimates on funding allowances for the U.S. Small Business Administration (SBA), and other matters under the Committee's jurisdiction, as directed by §301(d) of the Congressional Budget Act of 1974.

Unfortunately, the Administration's fiscal year 2014 budget request is not reflected in our views and estimates this year, because as you know, President Obama has disregarded 31 U.S.C. §1105(a), which requires that "on or after the first Monday in January but not later than the first Monday in February each year, the President shall submit a budget of the United States Government for the following fiscal year." We have yet to receive a budget for fiscal year 2014 from the Administration, and have received no firm commitments from the White House on a date certain when the budget will be released to Congress and the public.

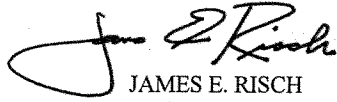
Further, the Senate has not passed a budget resolution in nearly four years, which in my view, is irresponsible and unacceptable. Since President Obama took office, the debt has increased by 45 percent. If a typical Idaho family handled their finances like the Federal government, they would put 42 cents of every dollar spent on a credit card. No one can argue that such an approach is responsible. Although I am encouraged by commitments from the Budget Committee that we will finally consider a budget resolution in the Senate for fiscal year 2014, it is imperative that as part of the budget process, Congress make real progress in reining in the deficit.

Taxpayer funding to support the SBA has increased by 86 percent since fiscal year 2009, when President Obama took office. Given the skyrocketing funding increases for the Agency in recent years, it is my strong view that the SBA can not only absorb the sequester cuts of approximately 5 percent, but also go further in trimming the budget and reigning in duplicative and inefficient programs, such as those highlighted by the Government Accountability Office¹.

¹ GAO, Economic Development, Efficiency and Effectiveness of Fragmented Programs Are Unclear (2011)(GAO-11-651T)

With regard to the sequester, I am troubled that the President has chosen to use scare tactics to incite small business owners into a fury rather than provide real leadership. I am confident that given the dramatic funding increases for the SBA in recent years, the Administration can continue to deliver the core, congressionally authorized programs to small businesses without the alarming program disruptions recently touted by the Administration. As Ranking Member of the committee with oversight of the SBA, it is my view that the sequester cuts be applied equally to all programs and administrative accounts at the Agency, including operating costs and the bureaucracy, rather than imposing the cuts entirely on the authorized core programs that the SBA delivers to small businesses.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Risch". The signature is stylized with a large, sweeping initial "J" and a cursive "Risch".

JAMES E. RISCH
Ranking Member

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United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510

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March 1, 2013

The Honorable Patty Murray, Chairman
The Honorable Jeff Sessions, Ranking Member
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions,

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, I write to provide my views and estimates to the Committee on the Budget on matters within the jurisdiction of the Committee on Veterans' Affairs.

Although the President has yet to submit his budget request for this fiscal year, I applaud his continued support for veterans' programs throughout the difficult budgetary climate that has prevailed in recent years. I firmly believe that caring for our nation's veterans after they have returned home from the battlefield is a cost of war. To that end I am pleased, based on the Office of Management and Budget's assurance, that all veterans programs administered by the Department of Veterans Affairs (VA), including health care, will be exempt in the event of sequestration.

Given the service and the sacrifice of America's veterans and their families, we, as a nation, have a special responsibility to pay this cost in full. The guarantees of adequate health care and appropriate benefits must be backed by a concrete capacity to fulfill these obligations. That is why we will continue to advocate for sufficient funding for VA and other agencies that provide veterans' programs and services.

Noted below are areas within the jurisdiction of the Committee on Veterans' Affairs for which I have particular concern:

Mental Health. The number of veterans battling mental health disorders -- including post-traumatic stress and substance use disorder -- continues to rise and the number of veterans that commit suicide remains unacceptably high. As a result, meeting demand for timely and effective mental health care is a persistent challenge for VA. VA has a number of efforts underway that aim to enhance the accessibility and quality of VA mental health care services, including hiring additional mental health staff and initiating periodic reviews of mental health services at each medical center. Further, VA has a longstanding commitment to supporting research on mental health disorders and treatments and I am optimistic that this research will expand treatment options available to veterans, including through complementary and alternative medicine. It is critically important that adequate funding mental health services and research, as well as

The Honorable Patty Murray, Chairman
 The Honorable Jeff Sessions, Ranking Member
 March 1, 2013
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complementary and alternative medicine, is available. Sufficient funding will ensure VA is able to meet rising demand, mitigate long wait times, and promote wellness among veterans receiving their health care at VA medical centers across the country.

Readjustment Counseling: Vet Centers furnish readjustment counseling to veterans who served in combat zones, including those involved in Operations Enduring Freedom/Operation Iraqi Freedom/and Operation New Dawn (OEF/OIF/OND), and their families. In 2012, VA had over 300 Vet Centers and 70 Mobile Vet Centers operating across the country. These Vet Centers and Mobile Vet Centers supported more than 1.5 million visitors. Vet Centers provide essential counseling related to combat service, bereavement counseling for families of servicemembers who die while on active duty, as well as outreach and referral services. VA anticipates an increase in demand for Vet Center services, given the high number of returning veterans with PTSD and other mental health issues, as well as the number of veterans from other eras reaching out for these services for the first time.

Therefore, I recommend that the Budget Resolution support readjustment counseling in an amount that reflects the importance and significance of meeting this mission.

Office of Inspector General. The work of the VA Office of the Inspector General (IG) has made invaluable contributions to management effectiveness throughout VA. The Committee relies heavily on the IG for unbiased investigations and audits. The IG conducts this vital oversight throughout the numerous areas of the Department's operations and budget. Unfortunately the President's request has repeatedly undervalued the importance of strengthening the IG's office. Historically, the level of resources requested would force the IG to triage reactive oversight work requested by the Secretary and Congress. Also, stagnant funding for the IG's office may unnecessarily increase risk for veterans in the critical areas of health care and compensation claims processing. I am particularly concerned that the IG's office might have an inadequate number of health inspectors to meet current demand.

I recognize the importance of the work that the IG does and recommend that adequate funding be provided in the Budget Resolution to allow the IG's office to continue to address problem areas as they arise, and allow for new oversight initiatives.

Purchased Care. Section 8153 of title 38, United States Code, authorizes the Department to purchase care from non-VA providers for reasons of geographic inaccessibility or inability by VA to provide the services needed. In an attempt to standardize purchased care contracts across the health care system, VA developed the Patient-Centered Community Care program, or PC3. The program will contract with five regional non-VA providers to provide veterans services when VA is unable to provide the services needed. PC3 will be centrally-managed, although regional VA staff will provide some level of program support. Each PC3 contract will reflect a six month start-up period, which will allow for contracted providers to implement their region under the awarded contract. This will be followed by a twelve month term and then any unexercised option – to not exceed four additional years. Each of the five PC3 contracts have a maximum contract dollar value of \$5.3 billion, which is inclusive of all exercised option years.

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 The Honorable Jeff Sessions, Ranking Member
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In FY11, VA purchased services from non-VA providers for approximately one million unique episodes of care. In the same fiscal year, the IG estimated VA spent about \$4.6 billion to purchase health care services from non-VA providers, which included other government agencies, affiliated universities, community hospitals, nursing homes, and individual providers. Over the past three years, the IG has also issued seven reports on the deficiencies faced by VA's purchased care program office. More specifically, the IG audits and reviews pointed to significant weaknesses and inefficiencies in management of purchased care policies and procedures at VA that led to insufficient oversight. The IG also noted the lack of purchased care program processes in place to maximize VA's ability to determine whether fee basis authorizations are indeed necessary, timely, high quality, and properly contracted and billed.

I recognize that VA's continued efforts to strengthen the management of its purchased care program. However, overpayments and unauthorized fee basis care limit the overall availability of resources available for VA medical services. Therefore, I am concerned about VA's ability to appropriately manage the purchased care program before, during, and after PC3 contracts are awarded, and its potential impact on the budget moving forward.

Savings and Collections. The President's FY13 budget request forecasted operational cost savings to account for nearly \$1.28 billion in cost avoidances. In August 2011, GAO found VA's operational improvements could not be specifically identified. Based upon operational efficiencies identified as cost savings in previous VA budgets, I am concerned there will be a similar shortfall in the next fiscal year. A contingency plan from VA will be necessary to ensure health care services will not suffer if the Department fails to meet its cost savings estimate in FY14 and I request they provide such a plan to the Committee. I am concerned by the potential impact that failing to achieve the identified cost savings may have on VA's provision of health care. Such failure may require VA to find ways to make up for lower than expected resources.

I am also concerned with VA's recurring challenges in billing and collections. In May 2011, the IG found the Department's efforts to implement Consolidated Patient Accounting Centers have not improved its effectiveness and these centers were in fact no more effective than facilities that conducted no reviews of billings processes at all. Additionally, the IG found that VA lacked a system of controls to identify billable opportunities and process subsequent collections for those amounts. While VA continues to address those ineffective and unreliable processes identified by the IG report, failure to fully implement the IG's recommendations will result in approximately \$553 million in unrecovered third-party revenue. In FY11, VA collected \$582.5 million less than it projected in the FY13 budget for its Medical Care Collections Fund (MCCF). Additionally, VA is anticipating a MCCF shortfall for FY13 of nearly \$328.6 million from its FY12 budget estimate. Therefore, I am concerned that the President's FY14 request will reflect this two-year trend of declining MCCF revenue.

The Department must do a better job of both accurately projecting collections and recouping revenue. Failure to meet these projections places an unfair burden upon VA to make budget reductions when a shortfall is recognized. I expect that VA will notify the Committee should

The Honorable Patty Murray, Chairman
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 March 1, 2013
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these initiatives fail to meet budget projections and identify methods to improve the current process. I will continue to exercise oversight over these initiatives, and have asked GAO to examine the accuracy of VA's projections for health care demand.

State Veterans Homes. The continued weak economy, lower than anticipated tax revenues, and budget shortfalls have hindered several states' abilities to make the required matching funds necessary to qualify for Federal Grants for State Extended Care Facilities, commonly referred to as State Home construction grants. Under this program, VA provides 65 percent of project cost while states are required to fund the remaining 35 percent. Because limited state budgets have forced states to defer needed investments in State Homes, many previously proposed construction projects were removed from VA's construction grants priority list. As a result, the backlog of pending State Home construction projects has risen. Importantly, the total Federal share for priority group one projects – those affecting life, safety and other urgent needs, and for which states have certified the availability of matching funding, has fallen from \$322 million in FY12 to just over \$257 million in FY13. This trend is expected to continue in the coming years. Therefore, I recommend sufficient resources be allocated to fully fund VA for Grants for State Extended Care Facilities. Sufficient funding is necessary for the long list of projects to move forward with design and begin construction.

Construction, Leasing and Non-Recurring Maintenance. In the last several years, the President's Budget Requests have shown continued a trend of reducing funding for major construction and non-recurring maintenance over the last several years. VA's facilities are aging and facility utilization continues to grow, even as facility conditions continue to deteriorate. During the FY13 budget cycle, VA's Strategic Capital Investment Plan identified \$61 to \$75 billion in facility improvements that should be made over the next 10 years. However, VA has requested between \$1 and \$1.5 billion annually for construction and maintenance during each of the last three fiscal years. This funding level is clearly insufficient to meet the needs identified during this time. Further, inadequate funding forces VA to defer maintenance, requiring more costly repairs in future years.

VA uses a variety of tools, including construction, leasing, sharing agreements and others to acquire space to provide medical care to veterans. In order to avoid interruptions to patient care and VA operations, VA requests Congressional authorization to lease space to use. These leases increase access to care closer to home for veterans across the country. Congress has not yet authorized or appropriated the \$1.26 billion necessary for 15 major medical facility leases that VA requested in FY13. I request that the Budget Resolution contain sufficient funding to authorize VA's FY13 lease request.

Physical infrastructure plays a significant role in VA's ability to provide high quality care to veterans. I recommend that sufficient funding be provided in the Budget Resolution to allow VA to construct, repair, or lease safe, high quality facilities.

Information Technology. VA has undertaken a significant transformational effort, working toward becoming an innovative, outcomes-driven, veteran-centric Department. Work remains to

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achieve this goal, and information technology is an underpinning of each component of this initiative. From the Veterans Benefits Management System (VBMS) to the Homeless Operations and Management Evaluation System, VA's many information technology systems serve as the cornerstone of VA's efforts to move its operations into the 21st century.

Particularly significant among these systems is the VA-DoD integrated electronic health record (iEHR), which was expected to combine health information from VA and DoD into a single, unified system. I am deeply disappointed by the Departments' inability to successfully collaborate with each other, as evidenced by the recent announcement to pursue two separate, but interoperable, electronic health records instead of the planned-upon jointly developed single record. Joint development of a single iEHR would improve the claims process, reduce duplication in medical testing, and allow VA to provide more efficient, cost-effective treatment for both physical and mental health needs. Both Departments have invested a great deal in program development; however they must ensure that their decisions for future investments consider not only the short-term but also the long-term implications of their choices. Moving forward, it is of paramount importance that sufficient resources be available to ensure that VA and DoD are able to achieve maximum integration and interoperability of their electronic health record systems.

The importance of information technology cannot be understated as VA seeks to transform its delivery of care and benefits. Therefore, I will work to ensure that VA and its Agency partners are investing in appropriate information technology solutions, as demonstrated by sound business cases that fully consider the life-cycle costs of these investments. I will continue to look to the Administration to provide additional information on their information technology programs, including the basis for decision-making on the iEHR, and have requested that GAO examine the program. I recommend that adequate funding be provided to invest in the future through well-placed investments in VA's information technology programs today.

Compensation Claims System Transformation. The compensation claims workload remains one of the most significant challenges confronting VA. The Department must continue to take aggressive action to improve the claims adjudication process, with a focus on quality of decisions. To this end, VA has set ambitious goals of eliminating the disability claims backlog by 2015 and of providing a quality decision (98 percent accuracy) within 125 days of application for benefits. VA has a long way to go in order to meet this goal. As of February 16, 2013, the most recent claims workload numbers remain troubling, with 69.9 percent of the compensation and pension entitlement inventory of 897,714 claims pending over 125 days.

Staffing. Over the past several years, Congress has provided the resources necessary in terms of personnel to support VA's increasing claims workload. The Veterans Benefits Administration's (VBA) direct FTE have grown by over 7,000 FTE from 10,676 in FY06 to 18,033 in FY11.

VA must continue to ensure appropriate staffing levels in order to provide timely and accurate claims decisions. As transformation efforts continue, the Administration must provide more

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detail on the impact of transformation on personnel and resource requirements. This includes information on the model used to allocate personnel and resources to Regional Offices.

I recommend that adequate funding be provided in the Budget Resolution to provide for the staffing levels necessary to support timely and accurate claims decisions. The Committee will continue to monitor VBA's staffing requirements, claims production, and quality of decisions throughout FY 2013.

Transformation. VA's transformation efforts revolve around improvements in the areas of people, processes, and technology. VA is relying heavily on VBMS, a paperless claims processing IT solution, to transform VA's paper-based system into a more efficient paperless, and ultimately an electronic, claims processing system. As transformation continues throughout FY13, the Committee will look to the Administration to provide greater detail on the results of its transformation efforts and more comprehensive data on the resource requirements necessary for continued support of these efforts to ensure VA's compensation claims system moves into the 21st Century.

I would request that the Budget Resolution support VA's dedicated workforce by providing funding levels that allow VA to continue transformation by providing its employees with the appropriate training, technology, and business process reforms necessary to produce more timely and accurate claims decisions.

Board of Veterans Appeals. The Board of Veterans' Appeals (BVA) is responsible for making final Departmental decisions on behalf of the Secretary for the thousands of benefits claims presented for appellate review annually.

BVA's production saw a slight decrease in the number of decisions issued in FY11, which the Report of the Chairman for FY11 attributed to a decrease in FTE. Historically, BVA receives on appeal approximately five percent of all claims decided by VA. Given the increased production of claims decisions by VA over the past several years, it is anticipated that the number of appeals received by BVA will continue to rise. This anticipated increase is further supported by the expectation that the completion of re-adjudication of the *Nehmer* workload will allow VA to focus on the certification of appeals that have been pending action at Regional Offices. Finally, BVA's projections for FY13 in the Report of the Chairman for FY11 estimated 73,932 appeals would be docketed at BVA in FY13.

BVA staffing levels must support this anticipated increase in appeals. Failure to do so would result in the growth of the backlog in pending appeals while doing little to ease the strain on veterans and other beneficiaries who continue to find themselves waiting far too long for final compensation claims decisions.

As the Committee continues to closely monitor BVA's caseload and whether ongoing processes and operational changes result in increased decisions, I recommend that the Budget Resolution

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provide sufficient funding to reduce the backlog of claims at BVA, decrease the average days pending, and further improve the quality of decisions.

Education Service. The Post-9/11 GI Bill continues to be a significant program. Since the beginning of the program in May 2009, VA has paid 920,306 total beneficiaries a total of \$26.2 billion. Additionally, a significant new program that was included as part of Public Law 112-56, which contained the VOW to Hire Heroes Act of 2011, will continue to increase Montgomery GI Bill usage with focus on retraining 99,000 veterans. Processing times for new benefits can take up to 40 days, depending on whether the claim is handled through VA's Long-Term Solution. This is well beyond VA's strategic goal of processing education claims in 14 days. I will continue to evaluate VA's performance in this area and will assess the President's budget when submitted if it appears that the request is inadequate to process education claims in a timely and accurate manner.

Employment and Training. Despite the emphasis on employment and training programs last Congress, unemployment among our veterans is still a great concern.

The VOW to Hire Heroes Act of 2011 established a significant new program, Veterans Retraining Assistance Program (VRAP), requiring VA and the Department of Labor (DOL) to partner to provide eligible veterans with up to one year of retraining assistance for jobs in high-demand sectors. Legislation has been introduced in the Senate and House to extend funding for specific provisions in that law that are set to expire. I recommend the Budget Resolution include funding for the extension of these important provisions.

DOL also provides resources and services to help veterans succeed in the civilian workforce, including providing grants to states to support two principal positions in the American Job Centers. The Disabled Veterans' Outreach Program (DVOP) specialists and Local Veterans' Employment Representatives (LVERs) provide intensive services and outreach to meet the needs of veterans. It is important that states continue to receive these grants and provide veterans these critical services at the local level.

The Transition Assistance Program (TAP) has been the primary method of disseminating critical information to transitioning service members. I am pleased that TAP has been revamped within the last year and been made mandatory. It is now critical that VA, DOD, and DOL continue to work together to update and revise the program to ensure that our newest generation of veterans and servicemembers are aware of available benefits and services. I will continue to evaluate the performance of these programs and the collaboration among the federal agencies to ensure veterans across the nation are provided the opportunities they deserve.

Finally, demand for employment programs is high – as evidenced by the number of veterans who have come forward to take advantage of the VOW to Hire Heroes Act of 2011. It is my hope that the Budget Resolution reflects this demand and provides ample funding for opportunities for veterans in this area.

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Vocational Rehabilitation and Employment. VA's Vocational Rehabilitation and Employment (VR&E) Program provides counseling and rehabilitative services to disabled veterans. The veteran to counselor ratio is significantly higher than that of State programs. Further, VR&E operates the Vet Success on Campus program that provides critical outreach and counseling to student veterans. I recommend that funding be allotted to provide for additional counselors to reduce the veteran to counselor ratio to 125 to 1.

Cost of Living Adjustment. Under current law, the COLA applied to veterans' disability compensation and survivors' DIC is rounded down to the next lowest dollar. VA compensation can be the sole source of income for a veteran and his or her family. Over the course of a veteran's lifetime, the effect of a COLA round-down can be substantial. Our nation's veterans deserve appropriate compensation, the value of which should not be reduced by inflation.

The legal authority for the COLA round-down is scheduled to expire in 2013, and I recommend that the Budget Resolution include sufficient funding to support a COLA that finally ends the practice of rounding-down.

On a related matter, I am committed to protecting veterans' and survivors' benefits from any reductions based on the manner by which the COLA is calculated. To that end, I recommend that the Budget Committee reject the adoption of the Chained Consumer Price Index.

Other Mandatory Programs. Of specific concern to me is that the values of certain mandatory benefits have eroded over time. In particular, the service-connected and non-service connected burial allowances, as well as the plot allowance have seen their purchasing power go down. Further, I am concerned about the level of benefits paid to survivors, which remain at levels lower than other federal survivor benefit programs.

I recommend that the Budget Resolution contain adequate funding to improve the value of these important benefits.

I thank the Budget Committee for its attention to my views and estimates on matters within the jurisdiction of the Committee on Veterans' Affairs.

Sincerely,



Bernard Sanders
Chairman

BERNARD SANDERS, VERMONT,
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COMMITTEE ON VETERANS' AFFAIRS
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March 1, 2013

The Honorable Patty Murray
Chairman
The Honorable Jeff Sessions
Ranking Member
Committee on the Budget
624 Dirksen Senate Office Building
United States Senate
Washington, DC 20510

Dear Chairman Murray and Ranking Member Sessions:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, it is our pleasure as the Republican Members of the Committee on Veterans' Affairs (hereinafter, "Committee") to submit this letter to the Committee on the Budget on the fiscal year 2014 (hereinafter, "FY14") budget for Function 700 (Veterans' Benefits and Services) programs and for certain Function 500 (Education, Training, Employment, and Social Services) programs.

GENERAL COMMENTS

The principal focus of our letter will be on certain components of Function 700 spending – Department of Veterans Affairs (hereinafter, "VA") programs. Because we have not received the President's budget request for FY14, and, therefore, not being able to properly analyze the request, we will limit our comments to general observations and highlight areas that we believe merit focus by the Budget Committee.

A significant number of servicemembers will separate from the military over the next decade; some of these new veterans may access VA benefits or services, such as medical care, disability compensation, vocational rehabilitation and employment services, or education benefits. Given the issues that this Committee has uncovered in the last several years, we are concerned that VA may be unprepared to provide care and benefits to these additional veterans. VA has had severe issues with delivering mental health care; updating its IT systems in order to help provide a truly seamless transition for veterans; and dealing with the backlog of disability claims, which has grown significantly since 2008. At the same time, budgets and staff for VA offices that do not provide direct services to veterans continue to increase. As discussed below, we believe we should ensure that the scarce resources we have to spend on our nation's veterans, their families, and their survivors are prioritized to provide direct care and benefits to veterans.

DEPARTMENT OF VETERANS AFFAIRS
General Administration

Since fiscal year 2008, the budget for VA central office has grown by 28 percent or \$91 million; over the same period staffing levels have increased by 40 percent or 960 full-time employees. This funding, in part, pays for certain perks of VA executive personnel, such as, dedicated sedan services. We strongly believe our limited resources should be maximized to provide direct patient care and for the delivery of benefits directly to veterans, not to increase the staff at VA's central office or provide luxuries for its leadership. In that regard, it is important to ask how the increase in funding and staff has improved the services delivered to veterans. If, as this Committee has seen, the quality of care and benefits declines or stagnates, then we must question the value of those increases and begin to shift assets to more productive uses. As one step in that direction, we recommend that the budget for dedicated sedan services for VA's Deputy Secretary and Under Secretaries be eliminated and the budget for all other sedan services for VA executive personnel be reduced by 50 percent. Another step we would recommend taking is to reduce VA central office staffing by 20 percent.

Mental Health Care

As we have mentioned in previous years' letters, significant resources have been directed towards medical care, with an increase of \$18 billion between fiscal year 2008 and the FY14 advanced appropriations request. During that same period, VA has increased funding of mental health programs by \$2.6 billion or 66 percent. This increase allowed VA to significantly increase mental health staffing, though, it is apparent that VA has not kept pace with demands from veterans for help.

Regarding VA's mental health program, the Inspector General (hereinafter, "IG") found that VA's metric to assess whether veterans were getting treatment was misleading. While it appeared, according to VA's metrics, veterans were receiving care in a timely manner, the Committee repeatedly was informed by veterans service organizations that this was not the case. The IG found: "V[eterans] H[ealth] A[dministration] schedulers were not following procedures outlined in VHA directives.... For new patients, the scheduling clerks frequently stated they used the next available appointment slot as the desired appointment date for new patients." For established patients, providers told the IG that they "frequently scheduled the return to clinic date based on their known availability rather than the patient's clinical need." This illustrates a serious breakdown in VA's ability to provide mental health care to veterans.

In response to the IG report, VA announced the hiring of 1,900 additional mental health staff. However, it is unclear if VA conducted a proper staffing analysis to determine what type of and how many mental health providers are needed. Randomly hiring more staff cannot be the singular answer to the problem of veterans accessing mental health clinics. VA cannot overcome this problem alone; VA needs to look "outside the box" for answers and engage the private sector and charitable organizations for help treating veterans in need of mental health services. Without a realistic plan that incorporates the outcomes of a staffing analysis and partnerships with outside providers, VA will continue to struggle to improve access to mental health care.

Information Technology

In recent years, the Office of Information and Technology has provided projects that support the Secretary's 16 major initiatives, including the Veterans Benefits Management System, Virtual Lifetime Electronic Record, and the integrated Electronic Health Record (hereinafter, "iEHR"). For fiscal year 2013, the President requested \$3.327 billion for the overall IT budget, with approximately \$376 million allocated for the development of IT initiatives and \$169 million for the iEHR.

In 2009, the Department of Defense (hereinafter, "DoD") and VA announced their decision to develop an iEHR, which would create a joint electronic medical record for servicemembers and veterans. Developing the iEHR would streamline the process of transitioning from active duty to veteran status by allowing for easier and more accurate medical documentation, as well as improving quality of care by reducing duplicative tests and providing more complete records. We are concerned about DoD and VA's decision to change strategy regarding the development of an iEHR. We strongly believe that DoD and VA should work collaboratively to develop an electronic medical record that meets the needs of both departments and, more importantly, servicemembers and veterans.

While VA continues to spend additional money in the development of these IT initiatives, there has been little impact on reducing the claims backlog, improving access to care, or developing a seamless transition process from active duty to veteran status. Although these initiatives are supposed to be improving VA's current operations, these programs have slowed down the adjudication process of disability claims. We are deeply concerned by several reports regarding VA's lack of program plans, in-depth analysis of requirements, or life-cycle costs for the development of such complex systems. Moving forward, VA needs to ensure they are effectively using taxpayers' dollars. It is simply unacceptable that these IT projects face continuous changes due to lack of program plans and understanding of requirements for these complex systems.

Claims Processing

For several years, VA has been undertaking initiatives to improve the claims processing system, stating that VA's goal is to process claims within 125 days with a 98% accuracy rate by 2015. As part of those efforts, VA hired thousands of claims processing staff; spent millions on new IT solutions; and developed numerous pilot programs. While VA continues to roll out many of those initiatives nationwide, veterans still face an enormous backlog, long delays, and inaccurate decisions; VA's key performance indicators for claims processing are generally heading in the wrong direction; and there are serious questions about VA's plan for bringing this situation under control.

To start with, VA is continuing to take in more claims than it decides, which means the backlog is still growing. In fact, during the past four years, VA received over 450,000 more claims than it decided; the number of claims that are considered "backlogged" (pending for more than 125 days) grew from less than 150,000 to more than 550,000; and the total number of pending claims more than doubled. Also, as staffing was increased, individual productivity

decreased from about 87 claims completed per employee to less than 75 claims per employee. The time it takes to make an initial decision deteriorated, as well. In fiscal year 2012, it took on average 262 days, which is 74 days slower than the year before and 83 days longer than it took in 2008. As for the accuracy of the decisions, VA has not shown sustained improvement in quality during the past four years, continuing to make errors in about 14% of cases. For veterans who disagree with those decisions, it took on average 866 days for VA to resolve veterans' appeals in fiscal year 2012, which is 119 days longer than in fiscal year 2011 and seven months longer than in 2008.

Despite these trends, VA continues to assert that it is on track to eliminate the backlog and achieve a 98% accuracy rate by 2015. In fact, in January 2013, VA put forth a 20-page "Strategic Plan to Eliminate the Compensation Claims Backlog" reflecting that, although the number of claims waiting for a decision is expected to reach nearly 1.1 million in 2014, the backlog will then be completely eliminated in less than 24 months. For that to happen, VA appears to be projecting that it will decide around 1.9 million claims in 2015 – which would be roughly an 80% increase in productivity over the 2012 level. At the same time, VA would need to raise its quality by about 12% across the nation.

Whether these projections are realistic should be considered in the context of VA's past estimates of the expected size of the backlog, productivity, and the timeliness of decisions. For example, in fiscal years 2011 and 2012 combined, VA decided about 412,000 less claims than VA had estimated in its budget submissions. Also, last year, VA estimated that by the end of fiscal year 2013 the total number of pending claims would fall below 700,000 and no more than 40% of those claims would be old enough to be considered backlogged. But, now, it appears that VA expects there to be closer to 1 million claims pending at the end of fiscal year 2013 and about 70% of those to be backlogged. On top of all that, VA continues to "move the goalposts" on when it will start to decide more claims than it receives and actually begin to reduce the backlog. In 2011, VA projected that would happen in late 2012 and, now, VA is acknowledging that claims receipts will likely continue to outpace decisions – and the backlog will grow further – until 2014. Similarly, VA has lowered expectations on how long it will take VA to provide decisions on claims. In 2010, VA projected that it would be deciding claims in about 160 days by 2013 and, in 2012, VA estimated it would take on average 200 days in fiscal year 2013. The reality is that, in the first quarter of fiscal year 2013, it actually took more than 270 days to complete compensation claims.

All of this may call into question VA's assurances that the backlog will be completely under control by 2015. But, that is not the only reason there may be questions about VA's plan for eliminating the backlog. For example, it appears that VA did not take into account several variables that could impact claims processing between 2013 and 2015 or build a cushion into its plan to account for those variables. Indeed, VA's strategic plan reflects that "the timeline for eliminating the backlog could be affected if . . . courts make new precedential decisions, or legislators make laws that establish new entitlements."

Also, VA acknowledged that its plan for backlog reduction does not take into account that there could be a significant up-tick in the number of claims it receives because of a law requiring separating servicemembers to attend Transition Assistance Program briefings and a law

providing health care to veterans and their families who were exposed to contaminated water while serving aboard Camp Lejeune. Although VA estimates that these laws could result in an additional 774,000 claims between fiscal year 2013 and 2015, VA apparently did not include those claims when estimating what level of productivity would be needed to eliminate the backlog by 2015. In fact, the report indicates that “critical policy decisions have yet to be made” regarding how to handle those potential claims, even though the report was written in 2013 and those laws were passed in 2011 and 2012, respectively.

In addition, the Government Accountability Office (hereinafter, “GAO”) recently reported that, although VA is taking steps to try to improve claims processing, “timely processing remains a daunting challenge.” In that report, GAO found that “the extent to which VA is positioned to meet this ambitious goal [of processing claims within 125 days by 2015] remains uncertain,” in part because “VA has not yet reported on how these efforts have affected processing times, a condition which raises concern given the mixed results that have emerged to date.” GAO also found that, “without a comprehensive plan to strategically manage resources and evaluate the effectiveness of these efforts, the agency risks spending limited resources on initiatives that may not speed up disability claims and appeals processes.” Similarly, the VA Inspector General recently concluded that, because of concerns about VA’s efforts to create a paperless claims process, the Inspector General believes that “VA will continue to face challenges in meeting its goal of eliminating the backlog and increasing the accuracy rate of disability claims processing by 2015.”

The bottom line is that, if there is not a realistic plan to begin providing veterans, their families, and their survivors with timely and accurate decisions, VA cannot wait until 2015 to correct its course. Moving forward, VA must be completely transparent about the likelihood of success if VA stays on its current path and, above all, must ensure that the trends of the past few years – alarming increases in the backlog, deteriorating timeliness, and stagnating quality – do not continue. If the leadership at VA is unable to do so, Congress should take whatever actions are necessary, including building penalties into the budget blueprint, to hold them accountable.

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS

United States Court of Appeals for Veterans Claims

The United States Court of Appeals for Veterans Claims (hereinafter, “Court”) was created in 1988 to provide judicial review of decisions rendered by VA’s Board of Veterans’ Appeals. In the first 15 years of the Court’s operations, the caseload did not exceed 2,600 new cases per year, but since 2007, the incoming caseload has exceeded 3,800 new cases per year. In response to that trend, both the Court and Congress have taken a number of steps to help the Court deal with its sizeable caseload. For instance, the Court has been relying on the service of retired judges and Congress temporarily expanded the number of judges who may sit on the Court. Fortunately, the Court has been able to issue record levels of decisions in recent years and has reduced its pending inventory of cases. As we move forward, Congress, the Court, and all stakeholders must remain diligent in ensuring that veterans and their families can receive timely decisions when they seek justice from the Court.

Veterans Consortium Pro Bono Program

As part of its 2014 budget request, the Court includes funding for the Veterans Consortium Pro Bono Program (hereinafter, "Program"), which became a stand-alone entity in 2011. Moving forward, we must continue to examine what impact this should have on funding for the Program. We should also take steps to ensure that all federal dollars available for veterans' programs are being used effectively, which may include examining how carryover balances retained by the Program should be utilized.

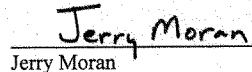
CONCLUDING COMMENTS

Thank you for your consideration of our views on the programs and services for our nation's veterans. VA has numerous challenges for which VA leadership must be held responsible. As we outlined above, if VA leadership cannot devise a realistic plan to address the numerous problems, it is time for Congress to take any actions necessary to hold VA leaders accountable. We look forward to working with the Committee on the Budget and all of our colleagues to help improve and modernize the system of benefits and services for veterans, their families, and their survivors.

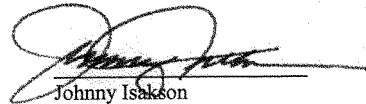
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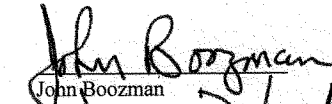
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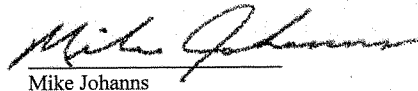
Jerry Moran



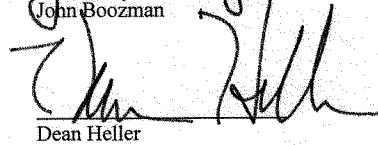
Johnny Isakson



John Boozman



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THE
CONGRESSIONAL BLACK CAUCUS

CONGRESSIONAL BLACK CAUCUS
BUDGET PRIORITIES
FISCAL YEAR 2014
Pro Growth. Pro People. Pro America.

The Congressional Black Caucus (CBC) has a long history of submitting a fiscally sound and morally responsible alternative to budgets proposed by both Republican and Democratic presidents and House majorities. The CBC Alternative Budget for Fiscal Year 2014 continues this tradition by putting forth a plan that reduces the deficit and alleviates harm inflicted by austerity measures. The CBC Budget increases economic opportunities by investing in education, infrastructure, housing, job training and it modernizes our military. The CBC Budget proposes significant investments in these functions of the budget to accelerate our economic recovery and ensure that our recovery is felt in every community in America. In addition, the CBC Budget protects and enhances the social safety net that continues to save millions from poverty.

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MAKING THE TAX CODE FAIRER TO MEET THE NEEDS OF THE NATION

Even with the small revenue enhancements enacted through the American Taxpayer Relief Act, revenues as a percentage of the nation's gross domestic product will still fall far short of the demands of the nation over the coming decade.

The CBC Budget will propose several options to make our tax code fairer and more able to meet the needs of the nation. All together, these options total approximately \$4.2 trillion in revenue enhancements over the next decade. However, the CBC will only direct the House Committee on Ways and Means and the Senate Committee on Finance to find \$2.5 trillion in revenue enhancements – \$1 trillion to cancel sequestration, \$500 billion for a jobs program to accelerate the nation's economic recovery, \$362 billion for targeted investments in our long-term economy, \$138 billion for the Medicare Doc Fix, and \$500 billion for deficit reduction.

Below is an explanation of the revenue enhancement options Congress could use to reach the CBC Budget's revenue enhancement goal.

Limit Deductibility of Corporate Debt Interest Payments: \$1.151 Trillion over 10-years

Under current law, corporations can take advantage of a tax preference that encourages debt-financed projects over projects financed by other means, such as equity financing. Interest payments on this debt are counted as a business expense and are paid from pre-tax income thus reducing a corporation's taxable income. According to the Economic Policy Institute, corporate financing achieved through debt becomes tax deductible whereas corporate financing through equity is not. There is no rational basis for this difference. This proposal does not eliminate corporate interest deductions. It only limits the use of debt financing by one-third to 25%, down from 35%, and making the preference an after-tax credit of 25% rather than a pre-tax expense. It should be noted that if this tax preference for corporate debt is completely eliminated, it would raise at least three times as much revenue than just limiting it to a 25% after-tax credit. Ultimately, limiting this tax preference would decrease systemic financial risk and free up additional capital for more productive, less speculative investment.

End Special Tax Breaks and Close Tax Loopholes: \$1 Trillion over 10-years

The Center for American Progress in a report released on January 22, 2013 identified numerous special tax breaks and tax loopholes that could save \$1 trillion over the next decade.

Some of the special tax breaks and loopholes identified include limiting extra deductions enjoyed by the wealthiest Americans (\$520 billion); closing international tax loopholes and other incentives that move American jobs overseas (\$168 billion); ending special tax breaks for inventory (\$67 billion); closing loopholes in estate and gift taxes (\$24 billion); closing the "carried interest" loophole for hedge funds and private equity fund managers (\$21 billion); eliminating the "S-Corporation" loophole (\$11 billion); denying the mortgage deduction for vacation homes and yachts (\$10 billion); closing the tax loophole for derivatives traders (\$3 billion); and eliminating the corporate jet loophole (\$3 billion).

Ending these tax breaks alone would be enough to cancel the economically devastating sequester and save the jobs of millions of hard-working Americans.

Tax Capital Gains and Dividends as Ordinary Income: \$880 Billion over 10-years

The tax code has long favored investment income over the money you get in your paycheck, but this hasn't always been the case. In the 1960s when the top tax rate for earned income was 50%, capital gains and dividends were taxed at a top rate of 70%. However, today when a shareholder of a stock is paid a dividend, the most they are taxed is 20%. When that shareholder decides to sell the stock and cash out, they still only pay 20% on their profits — the capital gains. A recent study conducted by Thomas Hungerford of the Congressional Research Service states that "[t]he single greatest driver of income inequality over a recent 15 year period was runaway income from capital gains and dividends." Wall Street investment bankers and hedge fund managers should pay the same tax rates on their income as the soldier fighting in Afghanistan or a public school teacher in Ohio pay on their income. The CBC Budget proposes ending this tax disparity to make the tax code fairer while also including safeguards that will still encourage average Americans to invest and save for their retirement.

5.4% Surcharge on Top Earners: \$460 Billion over 10-years

The wealthiest Americans disproportionately benefited the most from the Bush-era tax cuts and the federal government's 2008 bailout of some of the largest banks, investment firms, and corporations on Wall Street. According to the Congressional Budget Office, multi-millionaires have seen their average income rise much faster than the rest of the population. The average after-tax income of the top 1% of income earners has skyrocketed 275% between 1979 and 2007, while the average after-tax income for the middle class grew just under 40% during the same period. A family earning \$451,000 pays the same tax rate as a family earning \$10 million annually. That doesn't seem right or fair.

Enacting a surcharge of 5.4% of joint filers' adjusted gross income for that portion of their income exceeding \$1 million, similar to one included in the House-passed version of the America's Affordable Health Choices Act (H.R. 3962) in the 111th Congress, would generate approximately \$460 billion in additional revenue over the next decade.

Financial Speculation Tax: \$352 Billion over 10-years

Rampant and aggressive speculation on Wall Street helped create the Great Recession and is partially responsible for the significant increases in gas prices American families are facing today. While this small 0.25% financial speculation tax will not eliminate speculation or stave off a future financial crisis, it will, however, be an important disincentive to reel in short-term speculating and help build a more resilient financial sector. For example, on a \$10,000 stock transaction, the tax would only cost the investor an additional \$25 for the transaction. This modest tax would help our nation recoup from the devastating fiscal ramifications of the 2008 financial crisis by enhancing revenue that can be used to invest in our economy, accelerate our recovery and reduce our federal budget deficit.

The CBC Budget projects that a modest financial speculation tax of 0.25% on stock transactions would raise at least \$352 billion over the next decade.

\$250K v. \$450K Threshold: \$200 Billion over 10-years

A compromise in the American Taxpayer Relief Act retained the Bush-era tax cuts for that portion of a household's income greater than \$250,000 and up to \$450,000. Most Americans and the CBC Budget believe that the \$250,000 threshold is the more responsible cap for the Bush-era tax cuts. Lowering this threshold would enhance revenues by approximately \$200 billion over the next decade.

Return to 2009 Estate Tax: \$135 Billion over 10-years

The American Taxpayer Relief Act permanently fixed the federal estate tax at a 40% rate with an exemption of \$5 million per individual estate (\$10 million for joint estates). The exemption was also indexed to inflation saving multi-million dollar estates more and more each year. Many in Congress advocated for returning to the 2009 estate tax of 45 percent with an exemption, not indexed to inflation, of \$3.5 million per individual estate (\$7 million for joint estates). Returning to the 2009 estate tax will enhance revenues by approximately \$135 billion over the next decade.

Reduce the "tax gap" through better enforcement: \$107 Billion over 10-years

In 2005, the U.S. Department of the Treasury estimated that the gross tax gap – the difference between taxes owed and taxes paid – totaled nearly \$345 billion, of which only \$55 billion was expected to be collected as late payments or from tax enforcement. The National Treasury Employees Union estimated that \$31 in lost tax revenue can be collected for every \$1 invested in the IRS enforcement and collections apparatus.

CANCEL THE ECONOMICALLY DAMAGING SEQUESTER

Of the \$2.5 trillion in revenue enhancements called for by the CBC Budget, \$1 trillion should be used to cancel sequestration. As previously discussed, the easiest method would be to end the special tax breaks and close the tax loopholes that riddle our tax code. When interest savings on the national debt is factored in, this will achieve the same level of deficit reduction as the sequester without the severe economic consequences.

A JOBS BILL THAT WILL ACCELERATE OUR ECONOMIC RECOVERY

Our nation is still reeling from the effects of the worst economic recession since the Great Depression. The American Recovery and Reinvestment Act of 2009 was critical in turning our economy around. In the last 34 months, more than 5.8 million jobs in the private sector have been created and the national unemployment has slowly come down. Now, Congressional gridlock is threatening to reverse our modest economic gains. Further complicating our economic outlook, the recovery is not reaching every community at the same levels. The unemployment rate in the African American community remains incredibly high at 13.8% –

nearly twice that of whites. Even in times of economic growth Blacks are more likely to be unemployed than the overall population across all levels of educational attainment. In the face of this, there are those in Congress who are relentlessly driving an austerity agenda that is holding back our recovery and hurting communities across America. Their actions will lead us back into full recession unless action is taken to avert the sequester.

National Direct Job Creation Program

The CBC believes Congress should invest in a national direct job creation program administered by the Department of Labor. As proposed in Representative Conyers' "Humphrey-Hawkins 21st Century Full Employment and Training Act," this program would put Americans to work restoring our communities through projects like painting and repairing schools and community centers, renovating parks and playgrounds, improving the energy efficiency of our homes and businesses, tutoring children, and expanding access to high-speed Internet services.

School Modernization

Many of our nation's public schools were built decades ago and are in desperate need of repair and modernization. Many school districts, especially in poorer rural and urban areas simply have not been able to afford to make these improvements, especially considering ongoing budget cuts that states and localities are still being forced to make. Funds could be used for a range of emergency repair and renovation projects, greening and energy efficiency upgrades, asbestos abatement and removal, and modernization efforts to build new science and computer labs and to upgrade technology in our schools.

Preserving Teacher, Law Enforcement and First Responder Jobs

While the private sector has produced more than 5.8 million jobs in the last 34 months, budget cuts at the state and local government have been a persistent fiscal drag on our economy. The CBC urges the Committee to set aside \$50 billion to help state and local government prevent any additional layoffs of teachers and first responders. These funds can also be used to allow localities to hire additional teachers and first responders. Teachers are critical to educating the next generation of American leaders in government, science, medicine and technology. The federal government should do everything in its power to ensure that students are afforded the individual attention and small classroom sizes that help foster strong educational outcomes. Additionally, local law enforcement and first responders keep our communities safe and preventing any additional layoffs must be a top priority of the federal government.

Immediate Investments in our nation's crumbling Infrastructure

The American Society of Civil Engineers has given our nation's infrastructure a D in their most recent report card. The recent Surface Transportation Act reauthorization was dramatically underfunded when it comes to addressing our nation's infrastructure needs. Increasing infrastructure spending to help modernize our nation's roads, bridges, and tunnels, as well as to build new and improve existing commuter/ public transportation systems will help put back to work hundreds of thousands of American construction workers.

Also, the American Recovery Act included a significant down payment on an American high speed rail network. Unfortunately, investments in high speed rail have tapered off and the paltry level of funding that has been made available pushes off the availability of a true American high speed rail network for decades. Another large investment in high speed rail will help create jobs and make these networks available sooner and foster economic development along these high speed rail corridors.

Rebuilding America's Neighborhoods

The housing foreclosure crisis continues to decimate neighborhoods across the nation. The CBC Budget includes significant funding to help these communities rebuild and to help families facing foreclosure stay in their homes.

Job Training Programs

The long-term unemployment rate remains relatively high compared to previous recessions. Ensuring that these Americans have access to technical training, career services, graduate and certificate programs, and other job training programs so that they can be competitive in the workforce again is critical to solving the long-term unemployment problem.

Summer Jobs Program

Temporary summer jobs have been a proven method of bringing down unemployment and infusing the economy with additional economic activity. Many of these jobs will be filled by young people who will immediately put the money back into the economy through consumer spending. This will also have the added benefit that these young people are staying out of trouble and contributing to their communities.

PROTECTING & STRENGTHENING SOCIAL SECURITY, MEDICARE AND THE SOCIAL SAFETY NET

During an economic downturn, the importance of having a "Social Safety Net" net cannot be overstated. For communities of color, these programs prevent a recession from being an economic disaster. While many associate the social safety net programs with Social Security, Medicaid and Medicare there are quite a few other programs that are just as essential. The Supplemental Nutrition Assistance Program (SNAP), Child Health Insurance Program (CHIP), Temporary Assistance to Needy Families (TANF) and Head Start are among the other federally funded programs that are critical to struggling communities.

The CBC sees the importance of supporting the "Social Safety Net" programs more than ever. One of the most important parts of the CBC Budget is that it protects all the safety net programs from the hysteria of debt reduction. By eliminating the sequester and widening the tax base, reforms can be done in a sensible and targeted way that does not devastate the programs or greatly decrease benefits. The other effective and efficient safety net programs are simply protected from the harsh cuts that follow the calls for austerity. The CBC Budget

continues to prove that the dilemma between economic security assistance and our nation's fiscal health is a false choice.

NATIONAL STRATEGY TO ERADICATE POVERTY & INCREASE OPPORTUNITY

The CBC supports the goal of developing a national strategy to eliminate poverty, with the initial goal of cutting poverty in half in ten years, and to extend equitable access to economic opportunity to all Americans.

The 112th Congress has already made massive cuts to critical domestic programs that millions of American families rely on to get by and making even more cuts on the backs of our most vulnerable will not reduce our deficits, create new jobs, or grow our economy. Rather, priority must be given to creating a national poverty strategy to maximize effective coordination and oversight across agencies and achieve a true unity of programs under a "whole of government" approach to shared goals. Improving coordination and streamlining benefit and service delivery will improve and extend the reach of every federal dollar to fight poverty. We must remove the obstacles that may prevent the most vulnerable Americans from taking advantage of economic and educational opportunities and moving up the economic ladder of opportunity to join the middle class and reach for the American Dream.

The CBC Budget protects these programs from any additional budget cuts and increases spending on these programs above the spending caps enacted by the Budget Control Act.

ADDRESSING HEALTH DISPARITIES

Despite ongoing efforts to reduce health disparities in the United States, racial and ethnic disparities in both health and health care persist. Even when income, health insurance and access to care are accounted for, disparities remain. Low performance on a range of health indicators—such as infant mortality, life expectancy, prevalence of chronic disease, and insurance coverage—reveal differences between racial and ethnic minority populations and their white counterparts. The Affordable Care Act attempts reduce these health disparities by increasing access to care, investing in prevention and wellness, and giving patients more control over their own care. To assist the ACA in addressing these disparities, the CBC budget fully funds the ACA to ensure that individual programs are not set up for failure and that the overall system functions as it was intended. Additionally, the CBC Budget continues to strongly support the National Institutes of Health and their critical research on debilitating diseases such as sickle cell and diabetes.

INCREASING ACCESS TO EDUCATION

Improving educational resources for High school completion is a priority for the Congressional Black Caucus. African American, Latino and some Asian American and Pacific Islander students

are grossly overrepresented among our nation's dropouts. In addition, students of color are far more likely to attend schools with highly concentrated poverty where high school graduation is not always the norm. To counter these issues, the US must invest more in programs such as TRIO, High School Graduation Initiative and teacher training programs

The CBC also is invested in increasing access to higher education. The cost of attending college has tripled since the 1980s, according to the Pew Center. Too many students are forced to either forgo a college education or take on enormous sums of debt. The benefits of a college education cannot be overstated. According to the Bureau of Labor Statistics, the median weekly income for an individual with a bachelor's degree was \$1,038 in 2010 whereas the median weekly income for an individual with only a high school diploma was \$626 a week. No American child should be denied the opportunity to go to college and the Federal Pell Grant is the single largest source of federal grant aid supporting students in college. The CBC also advises increasing the funding for Historically Black Colleges and Universities (HBCUs) and their graduate programs.

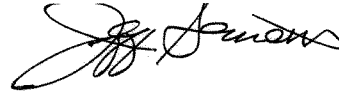
PROTECTING THE RIGHT TO VOTE

In the wake of the 2010 elections, an explosion of states considered or passed election laws that disproportionately disenfranchise minorities, seniors, students, and low-income individuals. It is of paramount importance that the Department of Justice retains sufficient resources to ensure that our historic protections under the Voting Rights Act of 1965 and the Constitution remain protected. The CBC Budget ensures that the Department has the resources to protect the primary right in a democracy: the right to vote.

THANKING AMERICA'S FEDERAL WORKFORCE

Federal employees have shown their commitment to our country through their everyday work and through the \$103 billion they have already contributed towards deficit reduction. The budget should ensure that federal employees will be compensated fairly after years of living under a pay freeze. The budget also should provide resources for the federal workforce to be properly trained and for them to do their job effectively. Many Americans know little about the contributions of our dedicated civil servants in keeping our nation safe, healthy and moving forward.

X. Additional and Minority Views



MINORITY VIEWS OF RANKING MEMBER SENATOR JEFF SESSIONS

Sessions Opening Statement At Committee Meeting To Produce First Senate Democrat Budget In Four Years

"The Budget Committee exists for one central reason: to produce a federal budget plan for the United States. The GOP-led House has fulfilled this obligation each year, while the Democrat-led Senate has not.

After four years of no budget in the Senate, and after the House passed legislation—No Budget, No Pay—it is good news that our committee is finally doing its job. Now we are doing our work in public, for all to see. Maybe the product will go to conference. Maybe progress can be made.

Already, the prospect of actual votes is clarifying the minds of Senators on key issues. But, I must express my disappointment that we have still not been provided a copy of the Chairman's budget mark.

Chairman Ryan has already publicly laid out the House plan which balances in 10 years.

This objective—balancing the federal budget within a decade—must be our goal as a nation. The open and honest House budget is what we must have in the Senate. No gimmicks, no vague promises such as "balanced approach" or "primary balance," which hide the truth and avoid accountability. The Chairman said, "our budget is balanced." It is anything but balanced. They're using that phrase, but their plan absolutely never balances. Using those vague phrases allows them to avoid being held accountable.

Many would be surprised that balancing the budget will only require a modest reduction in the rate of spending growth. We can balance the budget in 10 years if we simply hold the growth of spending to 3.4 percent each year.

Some of my colleagues have asked, "Won't a reduction in the growth of spending hurt the economy?" The answer is this: cutting spending will grow the economy.

In a February 2013 report titled "The Macroeconomics of Alternative Budgetary Paths," CBO answers this question. CBO finds that over 10 years, reducing the increase in spending by \$4 trillion—close to what a balanced budget requires—would increase economic growth. Quoting from CBO's the report: "Real GNP would be lower, by .6 percent, in the fourth quarter of 2014 and higher, by 1.7 percent, in 2023 than it would be under current law." CBO has also made this point during the 2009 debate over the \$870 billion stimulus bill—finding that over 10 years the country will get less growth than if there had been no borrow-and-spend stimulus at all.

In the last 10 years, we spent \$31 trillion. Over the next 10 years we are projected to spend \$47 trillion. Over the next decade, spending will increase 67 percent from today's levels. This is well above the expected inflation rate of 25 percent during that same time.

Experts all tell us our current baseline debt path—even with the recently enacted spending cuts and higher taxes—is unsustainable.

Is the Budget Committee of the United States Senate really prepared to say we cannot balance the federal budget? If that is so, it is a sad day in America.

I would ask my colleagues on the other side of the aisle, do you believe we can balance the budget in 10 years?

Unfortunately, from the details the Chairman has shared with the media about her plan, it appears that the majority's budget will never balance, will likely add \$7 trillion to the debt, and the annual deficits after the 10-year window will be increasing back towards \$1 trillion on an unsustainable path. The majority also eliminates the sequester, it appears—thereby increasing spending about \$1 trillion—and uses accounting tricks like phony war savings to create the false appearance of cuts. Honestly accounted, the majority's plan is a net spending increase above already surging growth that is projected in the baseline.

The plan does not include any reform of entitlements, does not promote the bipartisan pro-growth tax reform ideas so much discussed, makes no reforms to the 80-plus welfare and poverty assistance programs that are projected to grow 82 percent, and makes no changes to the new health care law that every day becomes more unsustainable.

Is it really possible that after four years, the majority has failed to identify any reforms? That all we have is just a tax-and-spend budget that makes no alteration to our dangerous debt course? Does the majority believe the government is perfect and requires no reform?

The famed economists Rogoff and Reinhart released a paper just last April that concludes that when gross debt, not public debt, reaches 90 percent of GDP, then the economy slows between one and two percent. You may not be aware that the International Monetary Fund, the Bank for International Settlements, and the European Central Bank have reached, independently, very similar conclusions. Our gross debt is now 103 percent of GDP. The other studies, with different approaches, all find that our current surging debt of almost \$17 trillion is causing a drag on our economy now. A one percent decline in growth costs one million jobs. We know that for the past three years, growth has fallen below CBO projections. These studies show our debt is hurting the economy now and that increased spending and more debt must end. It cannot be contended any longer that it is good for America to borrow more and spend more. We must grow the economy—not the government. I believe we all know this, and so do the American people.

But every time attempts are made to reform government, they meet with the same response: the President and our Chairman and Senator Reid have attacked the reformers. They say such ideas aren't compassionate or fair. But what is truly unfair and lacking in compassion is to protect a federal bureaucracy that is failing those who need our help the most.

The harsh political rhetoric from the White House and certain leaders is not helpful to our citizens who are hurting, as so many are today. The truth is our huge debt and failed government programs are hurting the people we are trying to help right now. Struggling citizens are being hurt every day by the Washington establishment that our colleagues seem determined to shield from accountability.

I fear the majority's plan will enrich the bureaucracy at the expense of the people.

Many seem to think compassion is defined by the government sending out more borrowed money. The Obama Administration even awarded a food stamp promoter for overcoming "mountain pride" and getting people to enroll who didn't want to.

Isn't it a better goal to help more Americans find good-paying jobs, to have the pride and self-respect that comes from that? Isn't this a superior form of compassion that has a more solid moral foundation?

We need to grow the economy, not the government. We must act to create more jobs and better pay. And we can do it without adding to the debt. Here's how:

- Pro-growth tax reform
- More domestic energy production
- Make the welfare office a place to restart lives
- Defend American workers from unfair foreign trade practices
- Make government leaner and more productive

- Enforce immigration law to ensure fairness for American workers
- Eliminate every burdensome federal regulation that isn't needed and that destroys jobs
- Balance the federal budget—reduce our debt

These steps will empower the individual—not the state. They will promote family—not bureaucracy. Reforming government and balancing the budget will not only strengthen our economy, but will help preserve our constitutional heritage so that we can pass it on, intact, to the next generation.”

After Reviewing Murray Budget, Sessions Conveys 'Deep Disappointment'

"Four years have passed since the last time Senate's Democrat majority attempted to pass a budget. Four years of trillion-dollar deficits. Yet, to my amazement and deep disappointment, the majority has come forward today with a proposal that does nothing to change our unsustainable debt course. Next year alone, their budget increases spending \$162 billion above what we are spending today. That is astonishing.

They offer no plan, no proposal—no attempt—to reform taxes, grow the economy, reduce poverty, fix our entitlements, or that would create good-paying jobs and rising wages. We know from academic studies that our debt over 90 percent of GDP destroys jobs and wages—their proposal locks these dangerous debt levels in place.

Republicans believe we must balance the budget in 10 years, but the majority proposal never balances—ever. We stand ready and willing to work across the aisle to balance the budget in 10 years. I hope Senators in the majority will agree to join us in this goal tomorrow.

In the majority's plan as it now exists, debt increases \$7 trillion from today's levels, despite a massive tax hike. Their proposal increases the federal budget from \$3.6 trillion today to \$5.7 trillion 10 years from now—an increase of 62 percent. Excluding war costs, this represents a net increase of \$645 billion above the projected surging spending growth in our existing baseline. In other words: it's a tax-and-spend budget. Democrats are saying to the American people: you are the problem. Washington doesn't need to change. You need to send us more money.

Their proposal goes to extraordinary lengths to shield the federal bureaucracy from any reform, even as millions of Americans are trapped in failed government programs. The Democrat budget enriches the bureaucracy at the expense of the people.

We need to grow the economy, not the government."

Ranking Member Sessions Remarks On Conclusion Of FY14 Senate Budget Mark-Up

"Today was an important and clarifying day for Senators, the press, and the public. This is the kind of meeting we should have been having all along—public, open process. We'd be in a much better position today if we hadn't waited four years to do this work. Consensus is not reached through backroom deals but through the long, messy, and sometimes contentious process of public legislative work.

One of the many clarifying moments today was on the issue of balancing the budget. Republicans offered amendments to require a balanced budget in 10 years, while the majority unanimously opposed this goal.

I remain deeply disappointed that the majority's proposal not only fails to change our debt course, but actually increases spending over the next 10 years—including \$162 billion of increased spending next year alone. Overall, it produces \$7.3 trillion in new debt by 2023. These figures represent a colossal failure to meet the challenge of our time. The budget continues the nation's high gross debt-to-GDP ratio that is destroying jobs and wages today. Four major academic studies have shown that gross debt in excess of 90 percent of GDP results in weaker economic growth, and this budget locks our nation in above those dangerous levels.

Testimony from Committee staff clearly established that compared to current law, their alleged deficit reduction is nowhere close to \$1.85 trillion, and by their own admission, is actually only about \$700 billion. Removing gimmicks like the war savings accounting trick, the true deficit reduction is only around \$300 billion—drastically less than the majority advertises to the nation. That is why, despite a \$1.5 trillion tax increase, their budget still make no alteration to our unsustainable debt path.

I remain astonished that, after four years, the majority would identify no savings, no reforms, and make no attempt to make government leaner, more efficient, or more productive. Just tax-and-spend.

What is particularly troubling is that the majority shields from accountability government programs that are failing those who need our help the most. There is nothing compassionate about shielding from reform a stale federal bureaucracy that is trapping millions of people in poverty and denying them the opportunity they need and deserve. The Murray budget enriches the bureaucracy at the expense of the people.

As the budget moves to the floor, Republicans will continue to outline an optimistic vision and to offer amendments to grow the economy—not the government."

Debt Slows Economic Growth *Brief Review of Leading Research*

Four teams of economists have shown that high levels of government debt negatively affect economic growth. When the total national debt approaches 90 percent the size of the economy, growth slows, and slows even faster as it rises above 90 percent of GDP. Currently, federal debt stands at 103 percent of GDP.

Why does the economy slow down? These economists found that rapidly rising federal debt crowds out private borrowers in credit markets. Because the government's debt is backed up by its tax revenues, it is less risky than private debt. Thus, the supply of credit is directed more to public sector borrowing, and the prices for credit faced by private borrowers rise.

This is also the view of CBO as expressed in their January, 2013, Outlook. As CBO argued in its January Outlook, public borrowing can crowd out private borrowing, which reduces the supply of funds for the private sector and increases the costs of private borrowing.

These economists also found that high and growing debt levels created the expectation among investors and business owners of higher future taxes stemming from higher current borrowing. Investors and business managers view high levels of public sector borrowing as a strong indication that their tax costs will rise in the future. They build these expectations into their analysis of whether or not investments will be undertaken.

The growth rate of the US economy may be a full percentage point lower today than otherwise because of our high debt. That means 700,000 to a 1,000,000 jobs are not here today that should be, wages are lower, and the economic recovery is much slower than it could be. In fact, this is the slowest economic recovery since the end of World War II.

Carmen Reinhart (University of Maryland) and Kenneth Rogoff (Harvard University) are the best known scholars of debt's economic effects.¹ They studied government and private financial data from the early 19th Century through the present and discovered that no country had ever escaped a financial crisis after accumulating public debt in excess of 90 percent of GDP (the size of their economy).

They followed this path breaking study with a stunning academic article in 2010. In "Growth in the Time of Debt", Reinhart and Rogoff focused on how the public sector's excessive buildup of debt influenced on economic activity. They argue,

Our main finding is that across both advanced countries and emerging markets, high debt/GDP levels (90 percent and above) are associated with notably lower growth outcomes.....Seldom do countries simply "grow" their way out of deep debt burdens.

Later, in a 2012 study, Reinhart and Rogoff (joined this time by Vincent Reinhart) found that annual growth rates fell from 3.5 percent per year to 2.3 percent once a country's debt rose above 90 percent of GDP.

These findings have been re-enforced by a number of important researchers. Manmohan Kumar and Jaejoon Woo, writing for the International Monetary Fund in 2010, used advanced country data from the OECD to find that high levels of debt grew 1.3 percentage points slower than countries with low debt levels. They also found that growth rates steadily decrease as debt levels grow from 60 percent of GDP to 90 percent. Thus, debt slows growth even below the 90 percent level.

Another team of researchers at the Bank of International Settlements found similar effects. Stephen Cacchetti, Madhusudan Mohanty, and Fabrizio Zampolli in 2011 determined that a debt level of 84 percent appeared to

¹ This Time is Different: Eight Centuries of Financial Folly (2009).

trigger significantly lower growth rates. Once this high level is attained, every 10 percentage point increase in the debt ratio is associated with a fall in the economic growth rate of .18 percentage points.²

Finally among the leading research is a the analysis of European debt levels on EU economic performance by Christina Checherita and Philipp Rother. Their working paper for the European Central Bank found that the deleterious effects of public sector debt may start at debt ratios as low as 70 percent, and the depression of economic activity is certainly evident at 90 percent and above.

These studies are representative of a growing academic literature in public finance that cautions governments against allowing debt levels to rise toward 90 percent of GDP. What is most interesting is their insistence that the slowdown effects from public sector debt begin well below the 90 percent level.

This research also provides policymakers with a ready policy handle for improving the performance of the general economy. Lowering the level of debt well below the economic danger zone improves economic activity quickly, as private entities no longer get elbowed aside by the big borrowers from the Treasury.

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² Thus, if the debt to GDP ratio rises from 100.00 to 100.10 (ten percentage points), the growth of GDP falls by .18 percentage points, or from, say, 3.12 to 3.11. This implies that the US has lost about \$242 billion in GDP since 2009 as our debt began its dramatic buildup.

Senate Democrats' Tax-And-Spend Plan Grows The Government—Not The Economy

After Four Years, Senate Democrats Stunningly Fail To Identify Reforms, Enriching The Bureaucracy At Workers' Expense

A Budget That Never Balances—Ever

Senate Democrats had four years to come up with a plan to balance the budget and grow the economy. Four years to develop a proposal to make government less wasteful and more productive, and to reform failing government programs that have trapped millions in poverty and joblessness. But after four years and \$6 trillion in debt since a budget was last passed, their vague proposal leaves America with a budget that never balances and a government that never stops growing.

\$7.3 Trillion In New Debt

The Senate Democrat plan offers \$7.3 trillion in new debt in the first 10 years, with interest payments climbing to \$791 billion in the tenth year and total debt rising to \$24.4 trillion. Debt remains permanently elevated above the danger zone of 90 percent of GDP, resulting in slower growth and lost wages. Excluding war spending gimmicks, net deficit reduction is only \$279 billion. In the Senate Democrat plan, the deficit in 2023 is \$566 billion; the House Republican plan, in contrast, produces a surplus in the tenth year.

\$1.5 Trillion In New Taxes

Chairman Murray and Senate Democrats have proposed a \$1.5 trillion tax hike on the American people in order to subsidize wasteful spending and shield failing government programs—in the process sabotaging the principles of bipartisan tax reform that lowers rates and creates growth. This consists of the \$923 billion advertised in their tables, plus \$480 billion to eliminate the sequester, and \$100 billion to offset stimulus in 2013.

Net Spending Increase Of \$645 Billion Above Projected Growth

Today's budget is \$3.6 trillion. Democrats propose raising that to \$5.7 trillion by 2023—an increase of 62 percent. (As a reference point, the budget in 2007 was \$2.7 trillion). Relative to CBO's current-law baseline (minus phony war savings and inflated disaster spending), the Democrat budget increases spending \$645 billion above projected spending levels.

Four Years Of Waiting And No Reforms

Amazingly, after four years, the Democrats were unable to identify any real reforms—no tax reform and no entitlement reform. The budget also contains no welfare reform, resulting in a roughly 80 percent increase in means-tested support and poverty programs, growing the government instead of the economy. The Democrat plan reveals its supporters' apparent belief that our massive federal government—whose budget has increased 30 percent since 2007—is essentially perfect and, instead of reforms, simply needs ever-more taxpayer dollars.

Enriching The Bureaucracy At The Expense Of The People

The Democrat budget protects the stale federal bureaucracy while presenting millions of Americans with a future of poverty, dependency, and joblessness. Instead of empowering the individual spirit of human freedom, the majority plan empowers the bureaucracy. Instead of creating good-paying jobs for those who want them, the majority plan destroys those jobs and hires more people to staff the local welfare office. Republicans will fight for a more optimistic future—a future of strong families and thriving communities in which our society, and not our bureaucracy, is the center of American life.